



Utah Counties Insurance Pool

# AGENDA

## BOARD OF TRUSTEES MEETING

Thursday, October 18, 2007, 9:00 a.m.  
Sevier County Administration Building  
250 North Main Street, Richfield, UT  
Training Room #B24

9:00 Call to Order

Review of Board Members Absent

Lynn Lemon

Approval of August 13 Meeting Minutes

Lynn Lemon

Lynn Lemon

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### ITEM INFORMATION

1 Special Service Districts Insurance Program

Lester Nixon

2 Chief Executive Officer's Report

Lester Nixon

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### ACTION

3 Adopt County Reinsurance Limited Property Policy

Ken Bischoff

4 Approve Request for Proposal for Property Valuation Services

Lester Nixon

5 Approve Amendments to the Interlocal Cooperation Agreement

Kent Sundberg

6 Adopt 2008 Tentative Budgets (Multiline, Workers' Comp, Employee Benefits, Administration)

Lester Nixon

7 Adopt 2008 Premium Contributions (Multiline, Workers' Comp.)

Lester Nixon

8 Set Date and Time for Closed Meeting  
to Discuss the Pending or Reasonably Imminent Litigation

Lynn Lemon

9 Action on Litigation Matters

Kent Sundberg

10 Set Date and Time for Closed Meeting  
to Discuss the Purchase, Exchange, or Lease of Real Property

Lynn Lemon

11 Action on Real Property Matters

Lynn Lemon

12 Set Date and Time for Closed Meeting  
to Discuss Character, Professional Competence, Physical/Mental Health of an Individual

Lynn Lemon

13 Action on Personnel Matters

Lynn Lemon

14 Ratification and Approval of Payments and Credit Card Transactions

Steve Wall

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Other Business / Schedule Next Meeting

Lynn Lemon

12:00 Lunch Provided





# AFFIDAVIT OF LYNN LEMON

STATE OF UTAH

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COUNTY OF SALT LAKE

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Lynn Lemon, being duly sworn upon oath, deposes and says:

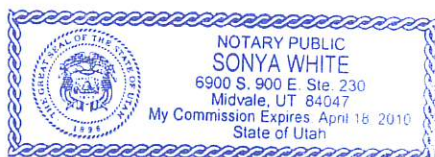
1. That the affiant has personal knowledge of the matters hereinafter referred to in this Affidavit.
2. That the Affiant, on or about the 18 day of October, 2007, presided over a meeting of the Utah Counties Insurance Pool Board of Trustees, an open and public meeting within the provisions of Chapter 4, Title 52, Utah Code Annotated, 1953, as amended.
3. That a quorum of the Utah Counties Insurance Pool Board of Trustees was present and at least two-thirds of the members present, voted to close the meeting pursuant to the provisions of Section 52-4-4, Utah Code Annotated, 1953, as amended, for the purpose of discussing the character, professional competence, or physical or mental health of an individual.
4. That the affiant was present throughout the meeting and, pursuant to the provisions of Section 52-4-7.5, the affiant does hereby affirm that the sole purpose for closing the meeting was to discuss the character, professional competence, or physical or mental health of an individual or individuals.

FURTHER, Affiant saith not.

DATED this 18 day of October, 2007.

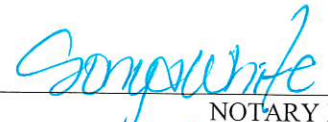
  
LYNN LEMON, President  
Utah Counties Insurance Pool

On the 18 day of October 2007, personally appeared before me Lynn Lemon, who, after being by me duly sworn, deposed and said that the information contained in the above and foregoing Affidavit is true and correct.



Residing at:

My Commission Expires:

  
NOTARY PUBLIC  
Midvale, UT  
4/18/2010





Utah Counties Insurance Pool  
*Supporting Your Goals Since 1992*

## BOARD OF TRUSTEES MEETING

### MINUTES

October 18, 2007, 9:00 a.m.  
Sevier County Administration Building, Richfield, UT

#### BOARD MEMBERS PRESENT

Lynn Lemon, *President*, Cache County Executive  
Kay Blackwell, *Vice President*, Piute County Commissioner  
Steve Wall, *Secretary-Treasurer*, Sevier County Clerk-Auditor  
Ken Bischoff, Weber County Commissioner  
Brad Dee, Weber County Human Resources Director  
Jerry Hess, Davis County Deputy Attorney  
Karla Johnson, Kane County Clerk-Auditor  
Jim Nyland, Grand County Sheriff  
Wayne Smith, Iron County Commissioner  
Kent Sundberg, Utah County Deputy Attorney  
Steve White, Utah County Commissioner

#### BOARD MEMBERS ABSENT

Bruce Adams, San Juan County Commissioner  
Jim Eardley, Washington County Commissioner

#### OTHERS PRESENT

Lester Nixon, Chief Executive Officer  
Sonya White, Manager of Administration

#### Call to Order

Lynn Lemon called this meeting of the Utah Counties Insurance Pool Board of Trustees to order at 9:00 a.m. on October 18, 2007 and welcomed those in attendance.

#### Review of Board Members Absent

Bruce Adams requested to be excused from this meeting due to a prior commitment. Jim Eardley requested to be excused from this meeting due to a prior commitment. Kay Blackwell made a motion to excuse Bruce Adams and Jim Eardley from this meeting. Steve White seconded the motion, which passed unanimously.

#### Approval of August 13, 2007 Meeting Minutes

The minutes of the Board of Trustees meeting held August 13, 2007 were previously sent to the Board of Trustees for review. Steve Wall made a motion to approve the August 13 meeting minutes as written. Jerry Hess seconded the motion, which passed unanimously.

#### Set Date and Time for Closed Meeting

Steve White made a motion to set the date and time for a closed meeting to discuss the character, professional competence, physical/mental health of an individual for October 18, 2007 at 9:10 a.m. Kay Blackwell seconded the motion, which passed unanimously. Board Members present at the closed meeting were: Lynn Lemon, Kay Blackwell, Steve Wall, Ken Bischoff, Brad Dee, Jerry Hess, Karla Johnson, Jim Nyland, Wayne Smith, Kent Sundberg and Steve White. Also present was: Lester Nixon.

Karla Johnson made a motion to conclude the closed meeting at 10:00 a.m. on October 18, 2007. Steve Wall seconded the motion, which passed unanimously.

### Special Service Districts Insurance Program

Lester Nixon did not compile a listing of Special Service Districts for the Board but did bring to their attention a letter to county employees from Utah Local Governments Trust (ULGT) announcing their First Annual Counties Golf Tournament (see attachment #1). ULGT is soliciting county business and ULGT happens to write the majority of Special Service District business in the State. UCIP is covering the Special Service Districts that are controlled 50% or more by the counties. Lester had nothing else to report unless the Board wants UCIP to compete with the ULGT for Special Service District business. No direction was given by the Board.

### Chief Executive Officer's Report

Lester Nixon reviewed the Annual Report of County Reinsurance Limited with the Board (see attachment #2).

Lester reported that a quote for Workers' Compensation coverage was presented to Davis County and a proposal will also be given to Beaver and Box Elder Counties for the 2008 policy year. Cache County has joined the Employee Benefits Pool and Wayne County is reviewing UCIP's proposal for the 2008 coverage year.

Lester reviewed the Workers' Compensation claims report with the Board (see attachment #3). The Multiline claims report was unavailable this month due to data conversation by Mountain View Software.

### Adopt County Reinsurance Limited Property Policy

Since the Coverage Agreement Committee did not have an opportunity to meet, Ken Bischoff, asked that Lester Nixon explain the new property program. Lester provided the Board with a copy of County Reinsurance Limited's (CRL) property policy (see attachment #4) and explained that the property agreement is 90% of the reinsurance agreement and Lester has found that the CRL policy has broader coverage than UCIP has in their current Coverage Agreement. Kent Sundberg made a motion to adopt the property portion of the UCIP Coverage Agreement and approve the property reinsurance arrangement with County Reinsurance Limited for the 2008 policy year. Karla Johnson seconded the motion, which passed unanimously. The Coverage Agreement Committee will meet prior to the next Board Meeting to present the entire 2008 Coverage Agreement to the Board.

### Approve Request for Proposal for Property Valuation Services

Lester Nixon reviewed the Request for Proposals for Property Appraisal Services with the Board (see attachment #5). Karla Johnson made a motion to approve the Request for Proposals for Property Appraisal Services with one correction, that the bid include a three, four, and five year total Pool completion cost. Wayne Smith seconded the motion, which passed unanimously. The RFP will be sent to local and national appraisal companies. The cost per year is estimated to be no greater than \$40,000.

### Approve Amendments to the Interlocal Cooperation Agreement

Kent Sundberg explained that the amendments to the UCIP Interlocal Cooperation Agreement have not been drafted and will be presented to the Board at its next meeting.

### Adopt 2008 Premium Contributions

Lester Nixon reviewed the proposed multiline premium scenarios with the Board (see attachment #6). The insurable value (member exposures) of the Pool has increased \$4 million. Using the loss rate calculated by the Pools actuaries, three scenarios were presented to the Board. Karla Johnson made a motion to approve a minimum 5% and a maximum 12% increase to Pool members in an effort to build equity. Local Health Departments and UCIP will be charged an additional \$1,000 on top of their calculated premiums to bring them closer to the calculated loss rates. Steve White seconded the motion, which passed unanimously.

Lester reviewed the proposed workers' compensation premium scenarios with the Board (see attachment #7). Karla Johnson made a motion to approve a minimum 5% and a maximum 10% increase to Pool members based on the member's experience modification and as recommended by the Pool's actuaries. Steve White seconded the motion, which passed unanimously. There was a question on Weber County's calculation which staff will review with the Pool consultant, Steve Pfeiffer.

### Adopt 2008 Tentative Budgets

Lester Nixon reviewed the tentative 2008 Multiline Budget (see attachment #8), the tentative Workers' Compensation Budget (see attachment #9), the tentative Employee Benefits Budget (see attachment #10) and the tentative Administration Budget (see attachment #9) with the Board. Brad Dee made a motion to approve

the budgets as presented except with the corrections to the approved premium calculations and an addition of \$25,000 for policy placement on the multiline budget for brokerage services to place ancillary policies for members. Karla Johnson seconded the motion, which passed unanimously.

#### Set Date and Time for Closed Meeting

Kent Sundberg made a motion to strike the agenda item to set the date and time for a closed meeting to discuss pending or reasonably imminent litigation. Steve White seconded the motion, which passed unanimously.

#### Action on Litigation Matters

Kent Sundberg made a motion to strike the agenda item for action on litigation matters. Steve White seconded the motion, which passed unanimously.

#### Set Date and Time for Closed Meeting

Steve White made a motion to set the date and time for a closed meeting to discuss the purchase, exchange or lease of real property for October 18, 2007 at 11:56 a.m. Kay Blackwell seconded the motion, which passed unanimously. Board Members present at the closed meeting were: Lynn Lemon, Kay Blackwell, Steve Wall, Ken Bischoff, Brad Dee, Jerry Hess, Karla Johnson, Jim Nyland, Wayne Smith, Kent Sundberg and Steve White. Also present were: Lester Nixon and Sonya White. The regular scheduled meeting resumed at 12:02 p.m.

#### Action on Real Property Matters

Kay Blackwell made a motion authorizing a wire transfer amount up to \$520,000 for the purchase of real estate at 10883 South 700 East, Sandy, Utah. Steve Wall seconded the motion, which passed unanimously.

#### Action on Personnel Matters


Steve White made a motion appointing Mark Brady as interim Chief Executive Officer with a 5% merit salary increase and a 10% salary increase as the Interim CEO. Ken Bischoff seconded the motion, which passed unanimously. A Selection Committee was established to search and hire a new Chief Executive Officer made up of Kent Sundberg (Chair), Brad Dee, Jerry Hess and Steve Wall.

#### Ratification and Approval of Payments and Credit Card Transactions

Steve Wall reviewed the payments made, payments to be made (see attachment #11) and credit card transactions with the Board. Steve Wall made a motion to approve the payments made, payments to be made and credit card transactions. Steve White seconded the motion, which passed unanimously.

#### Other Business

The Board thanked Lester Nixon for his service to the Pool. Lester's final day with the Pool will be November 2. The next meeting of the Board of Trustees is scheduled for November 15, 2007, 6:00 p.m. in St. George.

Approved on this 15<sup>th</sup> day of November 2007  
  
Steve Wall, UCIP Secretary-Treasurer







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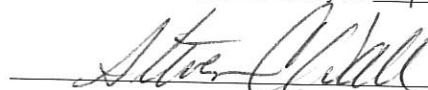
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Approved on this 15 day of November 2007

  
Steve Wall, UCIP Secretary-Treasurer





**County Reinsurance, Limited**  
**Annual Report 2006**





## ABOUT *County Reinsurance, Limited*



County Reinsurance, Limited (CRL) is a member-owned reinsurance company. The company was formed in 1997 by county associations that operated their own self-insured pools. The National Association of Counties (NACo) and state association executives played a critical role in the formation of the company.

CRL is organized as a captive insurance company in the state of Vermont. The company's legal structure as a mutual insurance company means that the members of the company own the company. In addition, CRL is organized as a non-profit company, and is exempt from state and federal income taxes. All CRL members are also organized as non-profit companies.

CRL provides property, liability, and workers' compensation reinsurance to its members. As a reinsurance company, CRL does not provide direct coverage or state approved "admitted" policies. In several instances CRL enters into reinsurance agreements with a state-approved insurance company to meet state regulatory requirements for an "admitted" company. In those instances, CRL Members receive a policy from an insurance company admitted to do business in their particular state, and CRL reinsures that state-approved insurance company.

CRL maintains an administrative office in Clemmons, North Carolina. Questions about CRL may be directed to Philip E. Bell, Executive Director at (336) 766-3930.

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Committees and Service Providers	8

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## *Letter to Members*

### **Dear Members:**

We are pleased to present County Reinsurance, Limited's (CRL's) third Annual Report.

### **Here are the major highlights of 2006:**

- ◆ Net Premiums Earned increased from \$14,812,000 to \$15,325,000, a 3.5% increase. CRL members continue to see organic premium growth, but a number of members increased their self-insured retentions this year, which limited CRL's premium growth.
- ◆ The company had an underwriting loss of \$687,000 for the year. The primary cause of this loss was adverse development for workers' compensation business. However, the company still had Net Income of \$3,141,000, thanks to Investment Income.
- ◆ The company's investment portfolio provided \$3,828,000 toward Net Income.
- ◆ Members' equity increased from \$15,213,000 to \$19,159,000, a 26% increase.

We are proud to present your company's Annual Report. Please let us know if you have any comments or questions.

**Ron Lethgo**  
Chairman of the Board

**Philip E. Bell**  
Executive Director



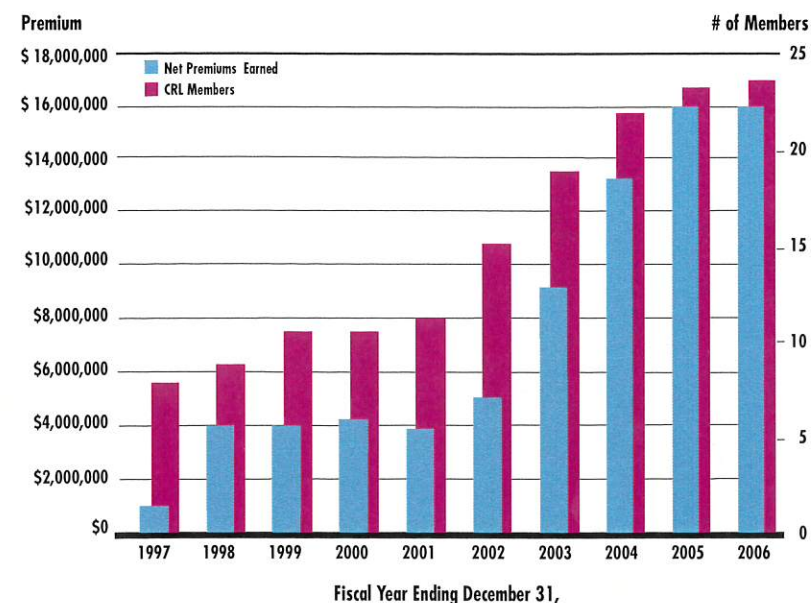
# Management's Discussion and Analysis

## Underwriting Results

County Reinsurance, Limited's (CRL's) Net Premiums Earned increased from \$14,812,000 to \$15,325,000, a 3.5% increase. Most of our members experienced organic growth within their respective pools, which in turn added premiums to CRL. However, several members opted for a higher self-insured retention this year, which decreases CRL's Net Premiums Earned. Even though we did not add any new members during the year, we still experienced a small increase in premium, as illustrated by Chart 1.

The company had an Underwriting Loss (Operating Loss) of \$687,000 for the fiscal year ending December 31, 2006. This loss can be primarily attributed to adverse development in the workers' compensation line of business. Effective with the 12/31/06 financial statements, CRL adopted more conservative loss development factors for workers' compensation claims.

CRL Member and Net Premium Growth (Chart 1)



CRL continues to audit the claim operations of its members. The purpose of these audits is to assure quality claims management by the members of CRL, with a focus on key issues of importance to CRL. We take an especially close look at claim reserves during these audits, with a goal of identifying our large claims as early as possible. We view these claim audits as an essential part of the underwriting process. Since loss history makes up a large portion of the company's pricing approach, we know that we will not price correctly if the claim reserves are incorrect. Obviously we are not happy to find claims that may be under reserved because these may temporarily hurt the company's results. But the sooner we find them, the better.

Chart 2 shows a summary of the results of the company over the last ten years.

Ten Year Comparison of Results (Chart 2)

Years Ending December 31,	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Net Premiums Earned	\$ 995,773	\$ 3,918,954	\$ 3,944,881	\$ 4,146,792	\$ 3,853,446	\$ 5,029,130	\$ 9,019,816	\$ 13,187,947	\$ 14,812,328	\$ 15,325,265
Operating Income	\$ (17,948)	\$ (87,302)	\$ 77,561	\$ (477,331)	\$ (938,214)	\$ (1,716,469)	\$ (362,852)	\$ 1,515,615	\$ 528,587	\$ (687,267)
Net Investment Income	\$ 61,213	\$ 242,025	\$ 437,167	\$ 666,527	\$ 717,866	\$ (650,030)	\$ 888,492	\$ 2,271,794	\$ 2,765,084	\$ 3,828,176
Net Income	\$ 43,265	\$ 154,723	\$ 514,728	\$ 189,196	\$ (220,348)	\$ (2,366,499)	\$ 525,640	\$ 3,787,409	\$ 3,293,671	\$ 3,140,909

At December 31,	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Total Assets	\$ 6,260,045	\$ 13,414,829	\$ 19,859,637	\$ 21,370,035	\$ 23,101,292	\$ 31,145,589	\$ 44,442,266	\$ 58,421,265	\$ 70,943,760	\$ 84,760,980
Total Liabilities	\$ 4,887,274	\$ 11,295,521	\$ 17,085,357	\$ 18,070,335	\$ 20,001,094	\$ 29,530,000	\$ 37,851,840	\$ 46,131,914	\$ 55,730,576	\$ 65,610,922
Total Member Equity	\$ 1,372,771	\$ 2,119,308	\$ 2,774,280	\$ 3,299,700	\$ 3,100,198	\$ 1,615,589	\$ 6,590,426	\$ 12,289,351	\$ 15,213,184	\$ 19,159,058
CRL Members	8	9	10	10	11	15	19	22	23	23



# Management's Discussion and Analysis

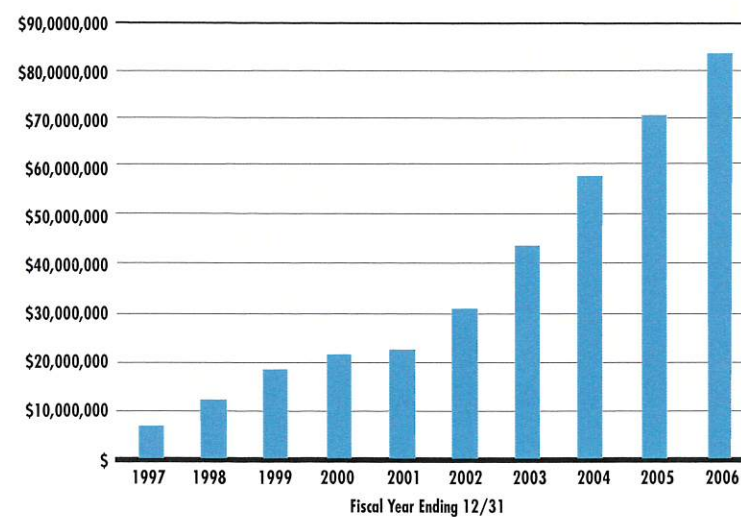
## Investment Results

CRL's investment portfolio generated a total return of 7.01% for the year. This was slightly below the company's established benchmarks, but still a good result. A composite return based on 70% of the portfolio in the Lehman Brothers Intermediate Government / Credit Index and 30% of the portfolio in the S&P 500 Index would have produced a return of 7.50%.

CRL's equity portfolio produced a total return of 11.94%. The S&P 500 Index, our equity benchmark, had a return of 15.80%. CRL's fixed income portfolio produced a total return of 4.95%, which was slightly above the Lehman Brothers Intermediate Government/Credit Index return of 4.07%. The company's alternative investments produced returns of 7.38% for the year without increasing the overall portfolio's risk characteristics.

Investment income adds a margin of safety to CRL's operations because the company's pricing approach does not assume any investment income. As CRL's Assets continue to grow, the cushion provided by investment income should also continue to grow, thereby improving the company's equity / surplus position, and allowing the consideration of a payment of dividends at some point in the future. Chart 3 illustrates the growing assets of the company.

Total CRL Assets (Chart 3)



## Net Income

CRL's Net Income for the year ending 12/31/06 was \$3,141,000. This is \$153,000 less than the \$3,294,000 recorded for the year ending 12/31/05, but nevertheless an excellent year. Net Income for the year included an Operating Loss of \$687,000 and Total Investment Income of \$3,828,000.

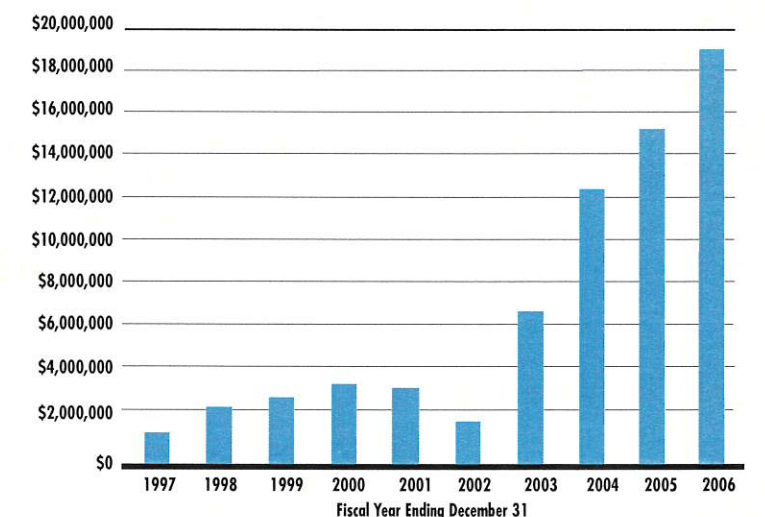
## Contributed Capital

CRL receives contributed capital from two primary sources. First, the company requires a minimum ratio of capital to premium for each member. New members are required to contribute this capital upon joining the company, as a condition of membership. Current members may be required to contribute additional capital if a member's capital drops below minimum ratios. This requirement helps maintain CRL's surplus at acceptable levels, but also gives an ownership incentive to the members of the company. Second, the company may periodically receive capital contributed by members to its Special Surplus Fund. Required contributions to the Special Surplus Fund are established by the Board of Directors. Effective July 1, 2005, the company discontinued the requirement to make contributions to the Special Surplus Fund.

## Members' Equity

Members' Equity increased from \$15,213,000 to \$19,159,000. This improvement came from member capital contributions of \$85,000, Accumulated Other Comprehensive Income of \$720,000, and Retained Earnings of \$3,141,000. The Average Annual Return on Members' Equity was 26% for the year. Chart 4 illustrates the growth in Members' Equity since the company was formed.

CRL Member Equity (Chart 4)





# Management's Discussion and Analysis

## Reinsurance

CRL offers property, liability, and workers' compensation reinsurance to its members. The company has partnerships with additional reinsurance companies to add stability and capacity to its overall program. CRL currently does not provide property reinsurance to any of its members.

The company currently retains liability business between a member's self-insured retention and \$2,000,000. The company has a partnership with American International Group for the liability business, and retrocedes premiums and claims for losses above this amount to the Insurance Company of the State of Pennsylvania. The Insurance Company of the State of Pennsylvania has an A.M. Best rating of A+ (Superior).

CRL has a partnership with Safety National Casualty Corporation (SNCC) for its workers' compensation business. The company currently retains workers' compensation business between the member's self-insured retention and \$2,500,000. SNCC provides the remaining statutory limits for the program. In those states that require an admitted company, SNCC issues a policy directly to the CRL member, and CRL reinsures SNCC for its portion of the premium and losses. SNCC has an A.M. Best rating of A (Excellent).



## Members

OF COUNTY REINSURANCE, LIMITED

**Arizona Counties Insurance Pool,**  
represented by William Hardy

**Association County Commissioners of Georgia  
Interlocal Risk Management Agency,**  
represented by David Paulk

**Association County Commissioners of Georgia  
Self-Insurance Workers' Compensation Fund,**  
represented by David Paulk

**Association of County Commissions of Alabama  
Liability Self-Insurance Fund,**  
represented by O.H. "Buddy" Sharpless

**Association of County Commissions of Alabama  
Workers' Compensation Self-Insurers Fund,**  
represented by O.H. "Buddy" Sharpless

**Association of Arkansas Counties Workers'  
Compensation Trust,**  
represented by Brenda Pruitt

**Kansas County Association Multiline Pool,**  
represented by Tom Job

**Kentucky Association of Counties Workers'  
Compensation Fund,**  
represented by Joseph Greathouse

**Local Government Property and Casualty Fund,**  
represented by Robert Wormsley

**Local Government Workers' Compensation Fund,**  
represented by Robert Wormsley

**Missouri Association of Counties Self-Insured  
Workers' Compensation Fund,**  
represented by Rodney Miller

**Nebraska Intergovernmental Risk Management  
Association,**  
represented by Craig Nelson

**Nebraska Intergovernmental Risk Management  
Association II,**  
represented by Craig Nelson

**New Mexico County Insurance Authority Workers'  
Compensation Pool,**  
represented by Ron Lethgo

**New Mexico County Insurance Authority  
Multi-Line Pool,**  
represented by Ron Lethgo

**New Mexico County Insurance Authority  
Law Enforcement Pool,**  
represented by Ron Lethgo

**Nevada Public Agency Insurance Pool,**  
represented by Wayne Carlson

**North Carolina Association of County  
Commissioners Joint Risk Management  
Agency Workers' Compensation Fund,**  
represented by David Thompson

**North Carolina Association of Counties Liability  
and Property Insurance Pool Fund,**  
represented by David Thompson

**Pennsylvania Counties Risk Pool,**  
represented by John Sallade

**Texas Association of Counties Workers'  
Compensation Self-Insurance Fund,**  
represented by Jim Jean

**Texas Association of Counties Risk Management  
Pool,**  
represented by Jim Jean

**Utah Counties Insurance Pool,**  
represented by Lester Nixon

## Directors and Officers

OF COUNTY REINSURANCE, LIMITED

**Mr. Ron Lethgo, Chairman**  
New Mexico County Insurance Authority

**Mr. Jim Jean, Vice Chairman**  
Texas Association of Counties

**Mr. David Paulk, Secretary**  
Association County Commissioners of Georgia

**Mr. Craig Nelson, Treasurer**  
Nebraska Intergovernmental Risk Management  
Association

**Mr. Andy Sargeant, Assistant Treasurer**  
USA Risk Group of Vermont, Inc.,  
(Resident Vermont Director)

**Mr. Rodney Miller**  
Missouri Association of Counties

**Mr. John Sallade**  
Pennsylvania Counties Risk Pool

**Mr. Buddy Sharpless**  
Association of County Commissions of Alabama

**Mr. David Thompson**  
North Carolina Association of Counties

**Mr. Philip E. Bell, Executive Director**  
County Reinsurance, Limited





## Standing Committies

OF COUNTY REINSURANCE, LIMITED

### Claims Committee

Mr. David Paulk, Chairman  
Mr. Craig Nelson  
Mr. Ron Lethgo

### Underwriting Committee

Mr. Jim Jean, Chairman  
Mr. Joe Greathouse  
Mr. John Sallade  
Mr. Ron Lethgo  
Mr. David Thompson

### Personnel Committee

Mr. Craig Nelson, Chairman  
Mr. Jim Jean  
Mr. John Sallade  
Mr. Buddy Sharpless

### Investment Committee

Mr. Andy Sargeant, Chairman  
Mr. Wayne Carlson  
Mr. Tom Job  
Mr. David Thompson  
Mr. Bob Wormsley

### Audit Committee

Mr. Ron Lethgo, Chairman  
Mr. Jim Jean  
Mr. David Paulk  
Mr. Craig Nelson  
Mr. Lester Nixon

## Service Providers

OF COUNTY REINSURANCE, LIMITED

### Brokerage and Risk Management Services

Marsh USA, Inc.

### Captive Management and Accounting

USA Risk Group of Vermont, Inc.

### Claims Management Services

Alternative Service Concepts, LLC  
Professional Claims Managers, Inc.

### Consulting Actuary

By the Numbers Actuarial Consulting, Inc.

### Financial Auditor

Johnson Lambert & Company

### Legal Counsel

Morris, Manning & Martin LLP  
Primmer Piper Eggleston & Cramer P.C.

### Investment Advisor

Citi Institutional Consulting

## County Reinsurance, Limited

AUDITED FINANCIAL STATEMENTS

*Years ended December 31, 2006 and 2005*  
*with Report of Independent Auditors*

## Contents:

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**Report of Independent Auditors**

Board of Directors  
County Reinsurance, Limited

We have audited the accompanying balance sheets of County Reinsurance, Limited (CRL) as of December 31, 2006 and 2005 and the related statements of income and comprehensive income, changes in members' contributions and surplus, and cash flows for the years then ended. These financial statements are the responsibility of CRL's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes the consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CRL's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of County Reinsurance, Limited at December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

*Johnson Lambert & Co. LLP*

Burlington, Vermont  
April 18, 2007

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County Reinsurance, Limited

Balance Sheets

	At December 31,	
	2006	2005
<b>Assets</b>		
Cash and cash equivalents	\$ 7,957,878	\$ 3,432,481
Investments, at market value	59,629,775	54,509,420
Other investments, at market value	11,370,668	6,174,248
Accrued investment income	662,725	605,914
Premiums receivable	107,510	-
Due from investment broker	-	42,818
Reinsurance recoverable - unpaid losses	4,067,744	5,067,094
Deferred policy acquisition costs	14,815	14,093
Property, furniture and equipment, net of accumulated depreciation	46,799	6,911
Prepaid reinsurance premiums	714,826	854,611
Other assets	197,240	236,170
Total Assets	<u>\$ 84,769,980</u>	<u>\$ 70,943,760</u>
<b>Liabilities and Members' Contributions and Surplus</b>		
<b>Liabilities</b>		
Losses and loss adjustment expenses	\$ 58,020,575	\$ 47,055,549
Unearned premiums	6,922,904	6,585,611
Advance premiums	-	1,656,591
Ceded reinsurance balances payable	25,384	29,190
Due to investment broker	19,569	-
Accounts payable and accrued expenses	421,296	184,504
Premium taxes payable	36,629	34,224
Deferred ceding commission income	164,565	184,907
Total Liabilities	65,610,922	55,730,576
<b>Members' Contributions and Surplus</b>		
Members' contributions	8,088,509	8,003,199
Accumulated other comprehensive income	2,007,855	1,288,200
Retained earnings	9,062,694	5,921,785
Total Members' Contributions and Surplus	<u>19,159,058</u>	<u>15,213,184</u>
Total Liabilities and Members' Contributions and Surplus	<u>\$ 84,769,980</u>	<u>\$ 70,943,760</u>

See accompanying notes to the financial statements.

County Reinsurance, Limited

Statements of Income and Comprehensive Income

	Years ended December 31,	
	2006	2005
<b>Underwriting Revenue</b>		
Premiums earned, net	\$ 15,325,265	\$ 14,812,328
Commission income	528,501	646,776
Total Underwriting Revenue	15,853,766	15,459,104
<b>Underwriting Expenses</b>		
Losses and loss adjustment expenses	15,380,118	13,943,427
Policy acquisition costs	364,408	255,066
Professional and management fees	139,143	143,739
General and administrative expenses	657,364	588,285
Total Underwriting Expenses	<u>16,541,033</u>	<u>14,930,517</u>
Operating (Loss) Income	(687,267)	528,587
<b>Investment Income</b>		
Net gains from derivative investments	672,157	322,225
Net gains on investment in limited partnerships	103,460	5,700
Net investment income	2,052,937	1,483,067
Net realized gains on investments	999,622	954,092
Total Investment Income	<u>3,828,176</u>	<u>2,765,084</u>
Net Income	3,140,909	3,293,671
<b>Other Comprehensive Income (Loss)</b>		
Net unrealized holding gains arising during the period	1,719,277	188,648
Less: reclassification adjustment for net realized gains included in net income	(999,622)	(954,092)
Other Comprehensive Income (Loss)	<u>719,655</u>	<u>(765,444)</u>
Comprehensive Income	<u>\$ 3,860,564</u>	<u>\$ 2,528,227</u>

See accompanying notes to the financial statements.



County Reinsurance, Limited

Statements of Changes in Members' Contributions and Surplus

For the years ended December 31, 2006 and 2005

	Members' Contributions	Accumulated Other Comprehensive Income	Retained Earnings	Total Members' Contributions and Surplus
BALANCE AT JANUARY 1, 2005	\$ 7,607,593	\$ 2,053,644	\$ 2,628,114	\$ 12,289,351
Proceeds from members' contributions	395,606	-	-	395,606
Change in comprehensive income	-	(765,444)	-	(765,444)
Net income	-	-	3,293,671	3,293,671
BALANCE AT DECEMBER 31, 2005	8,003,199	1,288,200	5,921,785	15,213,184
Proceeds from members' contributions	85,310	-	-	85,310
Change in comprehensive income	-	719,655	-	719,655
Net income	-	-	3,140,909	3,140,909
BALANCE AT DECEMBER 31, 2006	\$ 8,088,509	\$ 2,007,855	\$ 9,062,694	\$ 19,159,058

See accompanying notes to the financial statements.

County Reinsurance, Limited

Statements of Cash Flows

	Years ended December 31,	
	2006	2005
<b>Cash Flows from Operating Activities</b>		
Net income	\$ 3,140,909	\$ 3,293,671
Add (deduct) items not affecting cash		
Amortization of bond discount	136,779	395,292
Net realized gains on investments	(1,775,239)	(1,282,017)
Depreciation	2,034	1,803
Changes in assets and liabilities:		
Accrued investment income	(56,811)	(266,966)
Premiums receivable	(107,510)	386
Due from investment broker	42,818	(4,757)
Reinsurance recoverable - unpaid losses	999,350	639,909
Deferred policy acquisition costs	(722)	3,161
Prepaid reinsurance premiums	139,785	1,154,746
Other assets	38,930	(124,943)
Losses and loss adjustment expenses	10,965,026	9,475,510
Unearned premiums	337,293	(1,476,772)
Advance premiums	(1,656,591)	1,656,591
Ceded reinsurance balance payable	(3,806)	15,995
Due to investment broker	19,569	-
Accounts payable and accrued expenses	236,792	11,176
Premium taxes payable	2,405	(2,105)
Deferred ceding commission income	(20,342)	(81,733)
Net cash provided by operating activities	12,440,669	13,408,947
<b>Cash Flows from Investing Activities</b>		
Cost of investments acquired	(27,098,376)	(30,629,191)
Proceeds from sales and maturities of investments	19,139,716	17,109,147
Cost of property, furniture and equipment purchased	(41,922)	(716)
Net cash used in investing activities	(8,000,582)	(13,520,760)
<b>Cash Flows from Financing Activities</b>		
Proceeds from members' contributions	85,310	395,606
Net change in cash and cash equivalents	4,525,397	283,793
Cash and cash equivalents, beginning of year	3,432,481	3,148,688
Cash and cash equivalents, end of year	\$ 7,957,878	\$ 3,432,481

See accompanying notes to the financial statements.

# County Reinsurance, Limited

## Notes to Financial Statements

Years ended December 31, 2006 and 2005

### Note A - Organization and Significant Accounting Policies

#### Organization

County Reinsurance, Limited (CRL) was incorporated under the laws of the State of Vermont on June 20, 1997 and was issued a Certificate of Authority permitting it to transact the business of an industrial insured captive insurance company by the State of Vermont Department of Banking, Insurance, Securities and Health Care Administration (the Department) on June 24, 1997. CRL commenced operations on July 1, 1997. CRL assumes various casualty coverages from 23 public entity pools at December 31, 2006 and 2005. These public entity pools provide direct coverages to approximately 2,773 policyholders (2,550 in 2005) located in Alabama, Arkansas, Arizona, Georgia, Kansas, Kentucky, Missouri, Nebraska, Nevada, North Carolina, New Mexico, Pennsylvania, Tennessee, Texas and Utah at December 31, 2006. As of December 31, 2006 and 2005, premiums from the three largest pools represent approximately 30% and 39% of gross written premiums, respectively.

#### Basis of Reporting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP). Preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Cash and Cash Equivalents

For purposes of the statement of cash flows, CRL considers money market funds and all highly-liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents are as follows at December 31:

	2006	2005
Chittenden Checking Account	\$ 405,102	\$ 87,664
Smith Barney Cash & Money Market Accounts	2,552,776	3,344,817
FMA Money Funds	5,000,000	-
Total	<u>\$ 7,957,878</u>	<u>\$ 3,432,481</u>

#### Property, Furniture and Equipment

Depreciation and amortization on furniture and equipment is recognized over the estimated service lives of depreciable assets. The straight-line method of depreciation is followed for substantially all assets for financial reporting purposes.

# County Reinsurance, Limited

## Notes to Financial Statements (Continued)

Years ended December 31, 2006 and 2005

### Note A - Organization and Significant Accounting Policies (Continued)

During 2006, CRL paid a security deposit to secure the purchase of a condominium. CRL is accounting for the purchase of the office condominium in accordance with SFAS No. 67, "Accounting for Costs and Initial Rental Operations of Real Estate Projects". Pursuant to SFAS 67, the costs directly identifiable with this property have been capitalized. No depreciation has been taken during 2006 as the condominium was not placed in service at December 31, 2006. This property is further discussed at Note H.

#### Recognition of Premium Revenue

Premiums assumed are earned ratably over the terms of the policies to which they relate. Premiums assumed relating to the unexpired portion of policies in force at the balance sheet date are recorded as unearned premiums. Premiums ceded pursuant to reinsurance agreements are expensed over the terms of the underlying policies to which they relate and are netted against earned premiums. Ceded premiums relating to the unexpired portion of underlying policies are recorded as prepaid reinsurance premiums.

#### Losses and Loss Adjustment Expenses

The liability for unpaid losses and loss adjustment expenses reported in the financial statements includes case basis estimates of reported losses, plus supplemental amounts for projected incurred but not reported losses (IBNR) calculated based upon loss projections utilizing actuarial studies of the members' own historical loss data for periods prior to and subsequent to the creation of CRL and industry data. In establishing its liability for losses and loss adjustment expenses, CRL utilizes the findings of an independent consulting actuary. Management has recorded its reserves based on the actuary's best estimate and believes that its aggregate liability for unpaid losses and loss adjustment expenses at year end represents its best estimate, based upon the available data, of the amount necessary to cover the ultimate cost of losses; however, because of uncertainty associated with the limited population of insured risks, economic conditions, judicial decisions, legislation and others reasons, actual loss experience may not conform to the assumptions used in determining the estimated amounts for such liability at the balance sheet date. Accordingly, the ultimate liability could be significantly in excess of or less than the amount indicated in the financial statements. As adjustments to these estimates become necessary, such adjustments are reflected in current operations. The actuary utilizes the Incurred Loss Development, Expected Loss Development and the Bornhuetter-Ferguson (BF) methods to estimate reserves.

#### Reinsurance Recoverable - Unpaid Losses

Reinsurance recoverable is comprised of estimated amounts of losses and loss adjustment expenses unpaid which are expected to be recoverable from reinsurers pursuant to reinsurance agreements. Such amounts have been estimated using actuarial assumptions consistent with those used to estimate the related liability for unpaid losses and loss adjustment expenses. Management believes that the reinsurance recoverable as recorded represents its best estimate of such amounts; however, as changes in the estimated ultimate liability for losses and loss adjustment expenses are determined, the estimated ultimate amount receivable from reinsurers will also change. Accordingly, the ultimate receivable could be significantly in

County Reinsurance, Limited

Notes to Financial Statements (Continued)

Years ended December 31, 2006 and 2005

**Note A - Organization and Significant Accounting Policies (Continued)**

excess of or less than the amount indicated in the financial statements. As adjustments to these estimates become necessary, such adjustments are reflected in current operations.

CRL relies on facultative reinsurance agreements to limit its insurance risk as described further in Note B. In the event that any or all of the reinsuring companies are unable to meet their obligations under existing reinsurance agreements, CRL would be liable for such defaulted amounts. In preparing financial statements, management makes estimates of the amounts recoverable from reinsurers, which includes consideration of amounts, if any, estimated to be uncollectible based on assessment of factors including management's assessment of the creditworthiness of the reinsurers. Management evaluated the creditworthiness of its reinsurers and determined that no specific valuation allowance was required at December 31, 2006 and 2005.

*Commission Income*

Commission income on business ceded to reinsurers and on excess liability and workers' compensation business placed directly by the policyholders through reinsurers are deferred and earned over the terms of the underlying policies to which they relate. Commissions relating to the unexpired portion of the underlying policies in force at the balance sheet date are recorded as deferred ceding commission income.

*Deferred Policy Acquisition Costs*

Premium taxes and other costs of acquiring business are deferred and amortized over the terms of the underlying policies to which they relate.

*Investments*

Investments held by CRL consist of U.S. Treasury notes, obligations of U.S. government corporations and agencies, corporate bonds and common stocks. These investments are classified as "available-for-sale" and are carried at their estimated fair values based on quoted market prices with unrealized gains and losses reported as a component of other comprehensive income/(loss) in members' contributions and surplus. Realized gains and losses are determined using the specific identification method.

Other-than-temporary impairment losses result in a permanent reduction of the cost basis of the underlying investment and are reflected as a realized loss. In evaluating potential impairments, management considers, among other criteria: the current fair value compared to amortized cost or cost, as appropriate; the length of time the security's fair value has been below amortized cost or cost; management's intent and ability to retain the investment for a period of time sufficient to allow for any anticipated recovery in value; specific credit issues related to the issuer; and current economic conditions. No impairments were recorded during 2006 and 2005.

County Reinsurance, Limited

Notes to Financial Statements (Continued)

Years ended December 31, 2006 and 2005

**Note A - Organization and Significant Accounting Policies (Continued)**

*Other Investments*

Other investments represent investments in four futures limited partnership funds held through Smith Barney Citigroup. Investments in partnerships have been accounted for using the equity method based on the partnership's proportionate share of net assets of the invested limited partnership. In addition, CRL invests in two alternative funds that invest in derivative instruments. These funds are accounted for under FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities." The gain or loss on the derivative instruments are recognized currently in earnings.

*Operating Lease Commitments*

CRL entered into a three year lease agreement, expiring November 30, 2006. This lease was extended for an additional month, expiring December 31, 2006. Rent expense charged to operations and future minimum lease payments are described further in Note E.

*Reclassifications*

Certain balances in the 2005 financial statements have been reclassified to conform to the 2006 presentation. These reclassifications had no effect on members' contributions and surplus for 2005.

**Note B - Insurance Activity**

CRL assumes various casualty coverages, from the risk pools, on an occurrence and a claims-made basis, up to \$8 million in excess of the individual pool retentions, which range from \$250,000 to \$750,000 and the insured corridor layer where applicable. CRL limits its risks to the first two million per occurrence or claim through facultative reinsurance agreements with The Insurance Company of The State of Pennsylvania (member of American Insurance Group (AIG)). For the period from July 1, 2004 to July 1, 2005, CRL limited its risks through facultative reinsurance agreements with Discover Reinsurance and The Insurance Company of The State of Pennsylvania. Prior to July 1, 2002, CRL limited its risks to the first million per occurrence or claim through facultative reinsurance agreements with Discover Reinsurance. For policy period July 1, 2003 - July 1, 2004 CRL has a corridor layer to its casualty policies through which it retains an additional \$1 million excess \$1 million with a \$5 million annual aggregate. For policy period July 1, 2002 - July 1, 2003 CRL has a corridor layer to its casualty policies through which it retains an additional \$1 million excess \$1 million with a \$3 million annual aggregate. Effective July 1, 2004, defense costs can be within the limit of coverage, in addition to the limit of coverage capped at \$500,000, or in addition to the limit of coverage shared on a pro-rata basis with the member, but capped at \$500,000.

Currently, CRL assumes workers' compensation coverage from various public entity pools with limits up to \$2.5 million per occurrence inclusive of individual pool retentions which range from \$300,000 to \$750,000 and the insured corridor layer where applicable. CRL also assumes workers' compensation



County Reinsurance, Limited

Notes to Financial Statements (Continued)

Years ended December 31, 2006 and 2005

**Note B - Insurance Activity (Continued)**

coverage for several other pools from Safety National Casualty Corporation (SNCC) on an occurrence basis with a limit of up to \$2.5 million inclusive of the individual pool retentions, which range from \$250,000 to \$750,000 and the insured corridor layer where applicable. Prior to July 1, 2005, CRL assumed workers' compensation coverage from various public entity pools from Safety National Casualty Corporation (SNCC) and United States Fidelity and Guaranty Company (USF&G). For policy period July 1, 2002 - July 1, 2003 CRL has a corridor layer to its casualty policies through which it retains an additional \$1 million excess \$1 million with a \$1.325 million annual aggregate. For policy period July 1, 2004 - July 1, 2005 CRL retains an additional \$750,000 excess \$2 million with an aggregate of \$750,000.

CRL provides a letter of credit for the benefit of USF&G in the amount of \$10,906,446 and \$10,388,053 as of December 31, 2006 and 2005, respectively. CRL provides a letter of credit for the benefit of Safety National Casualty Corporation in the amount of \$5,150,000 and \$1,350,000 at December 31, 2006 and 2005, respectively. CRL provides a letter of credit for the benefit of the Association of County Commissioners of Georgia Interlocal Risk Management Agency in the amount of \$3,629,272 and \$5,035,536 at December 31, 2006 and 2005, respectively. CRL provides a letter of credit for the benefit of the Association of County Commissioners of Georgia Group Self-Insurance Workers Compensation Fund in the amount of \$2,447,001 and \$900,000 at December 31, 2006 and 2005, respectively.

CRL pledged investments with a fair value of \$42,615,618 and \$39,887,700 at December 31, 2006 and 2005, respectively, as collateral for the outstanding letters of credit described above.

A reconciliation of assumed to net premiums, on both a written and an earned basis is as follows:

	2006		2005	
	Written	Earned	Written	Earned
Assumed	\$ 17,116,583	\$ 16,779,290	\$ 15,992,992	\$ 17,469,764
Ceded	<u>(1,314,239)</u>	<u>(1,454,025)</u>	<u>(1,502,691)</u>	<u>(2,657,436)</u>
Net Premiums	<u>\$ 15,802,344</u>	<u>\$ 15,325,265</u>	<u>\$ 14,490,301</u>	<u>\$ 14,812,328</u>

County Reinsurance, Limited

Notes to Financial Statements (Continued)

Years ended December 31, 2006 and 2005

**Note B - Insurance Activity (Continued)**

The components of the liability for losses and loss adjustment expenses and related reinsurance recoverable are as follows:

	2006	2005
Case-basis reserves	\$ 21,374,669	\$ 15,399,636
IBNR reserves	<u>36,645,906</u>	<u>31,655,913</u>
Gross reserves	58,020,575	47,055,549
Reinsurance recoverable	<u>(4,067,744)</u>	<u>(5,067,094)</u>
Net reserves	<u>\$ 53,952,831</u>	<u>\$ 41,988,455</u>

Losses and loss adjustment expense activity is as follows:

	2006	2005
Liability as of January 1, net of reinsurance recoverable of \$5,067,094 and \$5,707,003	\$ 41,988,455	\$ 31,873,036
Incurred related to:		
Current year	14,681,609	12,888,663
Development of prior years	<u>698,509</u>	<u>1,054,764</u>
Total incurred during the year	<u>15,380,118</u>	<u>13,943,427</u>
Paid related to:		
Prior years	<u>(3,415,742)</u>	<u>(3,828,008)</u>
Total paid during the year	<u>(3,415,742)</u>	<u>(3,828,008)</u>
Liability as of December 31, net of reinsurance recoverable of \$4,067,744 and \$5,067,094	<u>\$ 53,952,831</u>	<u>\$ 41,988,455</u>

The unfavorable development of \$698,509 for prior years as of December 31, 2006 is primarily related to workers compensation. The development was due primarily to higher estimates for future medical expenses.



County Reinsurance, Limited

Notes to Financial Statements (Continued)

Years ended December 31, 2006 and 2005

**Note C - Investments**

The amortized cost or cost, gross unrealized gains, gross unrealized losses and estimated fair values of fixed maturity and equity securities are as follows:

	Amortized Cost or Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<u>At December 31, 2006</u>				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	\$ 26,669,073	\$ 102,447	\$ (293,102)	\$ 26,478,418
Corporate bonds	15,478,343	16,100	(186,915)	15,307,528
Common stocks	15,474,505	2,820,953	(451,629)	17,843,829
Totals	<u>\$ 57,621,921</u>	<u>\$ 2,939,500</u>	<u>\$ (931,646)</u>	<u>\$ 59,629,775</u>

	Amortized Cost or Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<u>At December 31, 2005</u>				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	\$ 21,650,772	\$ 19,780	\$ (315,308)	\$ 21,355,244
Corporate bonds	17,949,363	41,817	(243,000)	17,748,180
Asset-backed security	59,288	1,221	-	60,509
Common stocks	13,561,799	2,285,294	(501,606)	15,345,487
Totals	<u>\$ 53,221,222</u>	<u>\$ 2,348,112</u>	<u>\$ (1,059,914)</u>	<u>\$ 54,509,420</u>

Expected maturities may differ from contractual maturities as borrowers may have the right to call or prepay obligations without penalty. The scheduled maturities of bond investments at December 31, 2006 are as follows:

Maturity:	Amortized Cost or Cost	Estimated Fair Value
In 2007	\$ 8,170,980	\$ 8,161,293
In 2008-2011	13,212,753	13,038,651
In 2012-2016	20,763,683	20,586,002
Totals	<u>\$ 42,147,416</u>	<u>\$ 41,785,946</u>

County Reinsurance, Limited

Notes to Financial Statements (Continued)

Years ended December 31, 2006 and 2005

**Note C - Investments (Continued)**

The following table shows the fair value and gross unrealized losses aggregated by investment category and length of time securities have been in a continuous unrealized loss position, as of December 31, 2006:

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
<u>Available for Sale:</u>						
U.S. Government and agency obligations	2,208,388	(26,701)	13,824,720	(266,401)	16,033,108	(293,102)
Corporate bonds	2,877,954	(49,334)	10,274,865	(137,581)	13,152,819	(186,915)
Common Stocks	2,290,814	(285,700)	690,155	(165,929)	2,980,969	(451,629)
Total	<u>\$7,377,156</u>	<u>\$ (361,735)</u>	<u>\$ 24,789,740</u>	<u>\$ (569,911)</u>	<u>\$ 32,166,896</u>	<u>\$ (931,646)</u>

Management's estimate of other-than temporary declines in fair value for each investment is based upon analyst expectations of future market trends over a three to five year period and historical market trends for the preceding nine month period. As of December 31, 2006 and 2005, management determined that four and three securities, respectively, had fair values which were below cost by more than 20% for a period in excess of nine consecutive months. Unrealized losses associated with these securities totaled \$80,018 as of December 31, 2006 and \$25,873 as of December 31, 2005. Management deemed the unrealized loss on these securities and all securities in an unrealized loss position as of December 31, 2006 and 2005 to be temporary due to their belief that these securities will recover prior to sale.

**Note D - Other Investments**

Other investments consist of the following at December 31, 2006:

Derivative Investments	Beginning Holding Value	Purchases At Cost	Realized Gain (Loss)	Ending Holding Value
Arden Endowment Fund	\$ 2,457,058	\$ 2,400,000	\$ 389,809	\$ 5,246,867
Austin Capital All Seasons Fund	1,822,948	1,025,000	241,315	3,089,263
Totals	<u>\$ 4,280,006</u>	<u>\$ 3,425,000</u>	<u>\$ 631,124</u>	<u>\$ 8,336,130</u>

County Reinsurance, Limited

Notes to Financial Statements (Continued)

Years ended December 31, 2006 and 2005

**Note D - Other Investments (Continued)**

<u>Investments in Limited Partnerships</u>	<u>Beginning Holding Value</u>	<u>Purchases (Sales) At Cost</u>	<u>Realized Gain (Loss)</u>	<u>Ending Holding Value</u>
Citigroup Fairfield Futures Fund L.P.II	\$ 432,212	\$ 180,000	\$ (2,578)	\$ 609,634
Citigroup Diversified Future Fund L.P.	647,832	(650,000)	2,168	-
CMF Institutional Futures Portfolio L.P.	-	1,300,000	60,560	1,360,560
Smith Barney Potomac Futures Fund L.P.	486,907	180,000	9,534	676,441
SSB AAA II Energy Futures Fund L.P.	<u>327,291</u>	<u>-</u>	<u>60,612</u>	<u>387,903</u>
Total	<u>\$ 1,894,242</u>	<u>\$ 1,010,000</u>	<u>\$ 130,296</u>	<u>\$ 3,034,538</u>

Other investments consist of the following at December 31, 2005:

<u>Derivative Investments</u>	<u>Beginning Holding Value</u>	<u>Purchases At Cost</u>	<u>Realized Gain (Loss)</u>	<u>Ending Holding Value</u>
Arden Endowment Fund	\$ 1,973,731	\$ 285,000	\$ 198,327	\$ 2,457,058
Austin Capital All Seasons Fund	<u>1,549,050</u>	<u>150,000</u>	<u>123,898</u>	<u>1,822,948</u>
Totals	<u>\$ 3,522,781</u>	<u>\$ 435,000</u>	<u>\$ 322,225</u>	<u>\$ 4,280,006</u>

<u>Investments in Limited Partnerships</u>	<u>Beginning Holding Value</u>	<u>Purchases At Cost</u>	<u>Realized Gain (Loss)</u>	<u>Ending Holding Value</u>
Citigroup Fairfield Futures Fund L.P.II	\$ 490,797	\$ -	\$ (58,585)	\$ 432,212
Citigroup Diversified Future Fund L.P.	537,350	130,000	(19,518)	647,832
Smith Barney Potomac Futures Fund L.P.	455,394	-	31,513	486,907
SSB AAA II Energy Futures Fund L.P.	<u>-</u>	<u>275,000</u>	<u>52,291</u>	<u>327,291</u>
Total	<u>\$ 1,483,541</u>	<u>\$ 405,000</u>	<u>\$ 5,701</u>	<u>\$ 1,894,242</u>

County Reinsurance, Limited

Notes to Financial Statements (Continued)

Years ended December 31, 2006 and 2005

**Note D - Other Investments (Continued)**

CRL invests in hedge and futures funds for diversification of its portfolio. The Arden Endowment Fund and Austin Capital All Seasons Fund are described as hedge funds. The objective of the Arden Endowment Fund is to provide investors with absolute returns on a consistent basis with limited volatility and limited beta to stocks and bonds. Their strategy to achieve this objective is through making allocations to a diversified selection of event-driven and relative value managers who are identified through a disciplined, research-driven investment process. The objective of the Austin Capital All Seasons Fund is to capture absolute returns while focusing on capital preservation. The fund utilizes a dynamic portfolio management strategy with a proprietary risk management model to achieve this objective and invests with a selection of alternative money managers that specialize in long and/or short equity strategies. The estimated fair value of these funds are determined by the investment advisors.

CRL also invested in four futures funds, Citigroup Fairfield Futures Fund L.P. II, CMF Institutional Futures Portfolio L.P, Smith Barney Potomac Futures Fund L.P. and SSB AAA II Energy Futures Fund L.P. for which it has 0.893%, 1.921%, 0.28% and 0.08% ownership interest, respectively during 2006. In 2005, CRL invested in four futures funds, Citigroup Fairfield Futures Fund L.P.II, Citigroup Diversified Futures Fund L.P., SSB AAA II Energy Futures Fund L.P, and Smith Barney Potomac Futures Fund L.P. for which it had .554%, .074%, .71% and .211% ownership interest, respectively. The objective of these funds is to achieve substantial appreciation through speculative trading in U.S. and international markets. These funds may employ futures, options on futures, and forward contracts in those markets. Futures, forwards and options trading is speculative, volatile and involves a high degree of leverage. There are no liabilities associated with these limited partnerships as of December 31, 2006 and 2005.

**Note E - Operating Lease Commitments**

CRL leases office space from Chad A. and Carrie L. Williams Trust. The office space is located at 2245 Lewisville Clemmons Road, Suite E, Clemmons, North Carolina. The lease is payable in equal monthly installments of \$925. At the expiration date of November 31, 2006, the lease was extended until December 31, 2006. Following the expiration, CRL entered into a short-term lease with CVW, LLC to occupy a condominium office space until the closing date under the purchase agreement as more fully described in Note H.

Total rent expense of approximately \$11,100 was paid for the years ended December 31, 2006 and 2005. CRL also pays for its allocated electric and janitorial expenses which totaled \$3,053 and \$2,597 for the years ended December 31, 2006 and 2005, respectively. Expenses relating to lease obligations are included in general and administrative expenses on the statement of income.

County Reinsurance, Limited

Notes to Financial Statements (Continued)

Years ended December 31, 2006 and 2005

**Note F - Federal Income Taxes**

CRL is a corporation formed to provide various types of reinsurance coverages solely to its members who are non-profit, risk-sharing pools of political subdivisions of states. CRL received approval to be tax exempt from federal income taxes pursuant to Section 115 of the Internal Revenue Service Code. Accordingly, no provision for federal income taxes is included in the accompanying financial statements.

**Note G - Service Agreements and Related Party Transactions**

Accounting and reporting services, records retention and other management services are provided by USA Risk Group of Vermont, Inc. The National Association of Counties - Financial Services Center provides advertising and marketing services. Marsh Inc. provides brokerage and risk management services. Alternative Services Concepts, LLC provides claims auditing and management services.

CRL employs an Executive Director, whose responsibilities include supervising all contractors, vendors and service providers engaged by CRL, and handling claims management. The Executive Director also contracts with service providers to provide claims management consultation and advice. CRL also employs other employees to assist with underwriting and administrating functions.

**Note H - Property, Furniture and Equipment**

Property, furniture and equipment consisted of the following at December 31:

	<u>2006</u>	<u>2005</u>
Real estate	\$ 37,548	\$ -
Furniture and equipment	13,648	9,274
Less: accumulated depreciation	<u>(4,397)</u>	<u>(2,363)</u>
Property, furniture and equipment, net	<u>\$ 46,799</u>	<u>\$ 6,911</u>

Depreciation expense of \$2,034 and \$1,803 for the years ended December 31, 2006 and 2005, respectively, is included in general and administrative expenses.

On July 25, 2006, CRL entered into a purchase agreement for a 1,674 square foot condominium in Clemmons, North Carolina for \$279,270 or \$145 per square foot. Upon execution of the purchase agreement, CRL was obligated to make an earnest money deposit of \$27,927. An additional deposit of \$9,621 was made in December of 2006 for interior improvements. Due to continued construction on the condominium and office setup, CRL closed on the property on February 15, 2007. No depreciation expense has been recorded on the condominium at December 31, 2006.

County Reinsurance, Limited

Notes to Financial Statements (Continued)

Years ended December 31, 2006 and 2005

**Note I - Members' Contributions and Surplus**

In accordance with laws of the State of Vermont, for the purpose of submitting its financial statements to the State for regulatory purposes, County Reinsurance, Limited is required to use GAAP with the exception of variances prescribed by Vermont laws and regulations or permitted by the State of Vermont Department of Banking, Insurance, Securities and Health Care Administration (the Department). Pursuant to laws of the State of Vermont, County Reinsurance, Limited is required to maintain members' contributions and surplus of \$500,000. Members' contributions and surplus was \$19,159,058 and \$15,213,184 at December 31, 2006 and 2005, respectively.

CRL is owned by 23 members at December 31, 2006 and 2005. Each member pool made an initial contribution based on a percentage of its net reinsurance premium. Additional contributions may be required from a member pool if its net contribution falls below the required percentage. Contributions totaled \$85,310 and \$395,606 in 2006 and 2005, respectively.

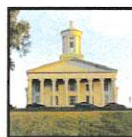
Upon a withdrawal or termination of a member, the member may request repayment of the original contribution plus a portion of CRL's earnings accumulated during its membership. The repayment may be granted at the discretion of the Board of Directors with prior approval from the Department.

Vermont law provides that no dividends may be paid to shareholders without prior approval of the Insurance Commissioner of the Department. There have been no dividends paid in 2006 or 2005.

There are no differences, other than rounding, between members' contributions and surplus and net income as reported in the 2006 and 2005 Vermont Captive Insurance Company Annual Report and the corresponding amounts reported in these financial statements.







**County Reinsurance, Limited**  
6201 Towncenter Drive  
Suite 240  
Clemmons, North Carolina 27012





October 9, 2007

Wasatch County  
Attn: David Rowley  
25 N. Main Street  
Heber, UT 84032

Dear David Rowley,

Utah Local Governments Trust is proud to announce The Utah Local Governments Trust 1<sup>st</sup> Annual County Golf Tournament. The tournament will be on Thursday, November 15, 2007, at the Coral Canyon Golf Course, in Washington, Utah. We would like to invite you to golf with us.

Arrival time is 10:00am. We will begin golfing at 11:00am. This will allow you time for registration, locating your cart, and hitting a few practice balls.

Golf, lunch, drinks, and a supply of practice balls will be provided by the Trust. As we will have limited space, please let us know as soon as possible if you will be able to join us. **Please RSVP no later than October 26.**

Hope to see you there!

A handwritten signature in cursive script that reads "J. Stephen Flitton".

J. Stephen Flitton  
President/Executive Director

A handwritten signature in cursive script that reads "Steven A. Hansen".

Steven A. Hansen  
Associate Executive Director

**RSVP by October 26**

Marilynn Beesley  
(801) 936-6400 or  
(800) 748-4440 x1302  
mbeesley@ulgt.org



# Workers' Comp Claims Report

Current Year 2007

<u>County</u>	<u># of Claims</u>	<u>Loss Payments</u>	<u>Expense Payments</u>	<u>Total Paid</u>
Bear River Health Department	4	\$1,008.04	\$3,570.00	\$4,578.04
Cache County	21	\$8,473.74	\$23,690.80	\$32,164.54
Carbon County	7	\$3,235.53	\$6,230.82	\$9,466.35
Daggett County	1	\$1,115.73	\$1,570.80	\$2,686.53
Duchesne County	2	\$95.93	\$1,700.00	\$1,795.93
Garfield County	1	\$3,951.32	\$4,187.89	\$8,139.21
Grand County	9	\$12,960.07	\$20,111.49	\$33,071.56
Iron County	28	\$24,765.88	\$56,195.88	\$80,961.76
Juab County	6	\$10,654.97	\$36,226.00	\$46,880.97
Kane County	8	\$7,837.80	\$21,756.00	\$29,593.80
Millard County	16	\$5,093.68	\$18,225.00	\$23,318.68
Morgan County	1	\$45.73	\$900.00	\$945.73
Rich County	2	\$0.00	\$1,800.00	\$1,800.00
San Juan County	6	\$5,956.02	\$9,150.00	\$15,106.02
Sanpete County	2	\$97.12	\$1,110.00	\$1,207.12
Sevier County	9	\$2,576.24	\$7,989.40	\$10,565.64
Summit County	16	\$9,644.86	\$25,845.86	\$35,490.72



# Workers' Comp Claims Report

Current Year 2007

<u>County</u>	<u># of Claims</u>	<u>Loss Payments</u>	<u>Expense Payments</u>	<u>Total Paid</u>
Tooele County	17	\$30,894.06	\$97,970.26	\$128,864.32
Uintah County	19	\$33,800.06	\$83,928.29	\$117,728.35
Utah County	76	\$41,438.24	\$211,086.17	\$252,524.41
Wasatch County	7	\$10,396.99	\$100,483.37	\$110,880.36
Wasatch Mental Health	15	\$4,172.48	\$19,196.40	\$23,368.88
Washington County	22	\$16,595.27	\$63,436.69	\$80,031.96
Wayne County	3	\$72.02	\$3,200.00	\$3,272.02
Weber County	37	\$30,939.40	\$95,151.74	\$126,091.14
Total:	335	\$265,821.18	\$914,712.86	\$1,180,534.04

# Workers' Comp Claims Report

All Years 2004 - 2007

<u>County</u>	<u># of Claims</u>	<u>Loss Payments</u>	<u>Expense Payments</u>	<u>Total Paid</u>
Bear River Health Department	7	\$3,320.52	\$7,489.40	\$10,809.92
Cache County	114	\$265,595.33	\$341,902.37	\$607,497.70
Carbon County	66	\$217,954.57	\$327,966.18	\$545,920.75
Daggett County	11	\$3,881.51	\$9,361.04	\$13,242.55
Duchesne County	34	\$29,949.77	\$37,113.78	\$67,063.55
Emery County	28	\$63,482.57	\$69,727.79	\$133,210.36
Garfield County	17	\$17,047.11	\$21,214.01	\$38,261.12
Grand County	35	\$42,769.55	\$53,309.05	\$96,078.60
Iron County	114	\$160,070.38	\$225,514.03	\$385,584.41
Juab County	24	\$122,192.44	\$723,376.91	\$845,569.35
Kane County	25	\$41,485.77	\$58,486.10	\$99,971.87
Millard County	68	\$128,916.89	\$165,690.74	\$294,607.63
Morgan County	8	\$124,079.14	\$141,033.23	\$265,112.37
Rich County	9	\$41,187.97	\$47,352.15	\$88,540.12
San Juan County	56	\$107,531.71	\$115,917.03	\$223,448.74
Sanpete County	9	\$50,878.79	\$68,740.33	\$119,619.12
Sevier County	55	\$48,572.61	\$66,409.62	\$114,982.23
Summit County	59	\$48,618.59	\$84,773.93	\$133,392.52

# Workers' Comp Claims Report

All Years 2004 - 2007

<u>County</u>	<u># of Claims</u>	<u>Loss Payments</u>	<u>Expense Payments</u>	<u>Total Paid</u>
Tooele County	72	\$140,905.46	\$228,166.53	\$369,071.99
Uintah County	97	\$253,308.30	\$1,119,722.92	\$1,373,031.22
Utah County	294	\$392,310.28	\$675,283.57	\$1,067,593.85
Wasatch County	25	\$129,518.97	\$269,438.19	\$398,957.16
Wasatch Mental Health	36	\$25,043.08	\$52,155.33	\$77,198.41
Washington County	37	\$58,102.57	\$167,707.84	\$225,810.41
Wayne County	5	\$16,429.28	\$32,849.36	\$49,278.64
Weber County	229	\$293,469.64	\$429,845.69	\$723,315.33
Totals:	1534	\$2,826,622.80	\$5,540,547.12	\$8,367,169.92

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## DECLARATIONS - SECTION A

### 1. NAMED MEMBER AND MAILING ADDRESS

See **Policy Change Endorsement, Schedule A** and any subsidiary, associated or affiliated companies, corporations, firms or organizations in which the Member has management control or ownership, as now or may hereafter be constituted during the policy terms, and any interest in a partnership or joint venture in which the aforementioned entities have more than fifty percent (50%) ownership interest or management control.

If the Named Member is comprised of more than one legal entity, liability shall not exceed the amount of loss had all interests comprised a single legal entity.

### 2. POOL

The terms Pool or Pool's shall mean the company providing this insurance policy as specified on the Participation Page.

### 3. POLICY DATES

FROM: January 1, 2008 at 12:01 AM local standard time at the location of the property Insured  
TO: January 1, 2009 at 12:01 AM local standard time at the location of the property Insured  
TERM: One (1) Year

### 4. TERRITORY

This Policy covers Insured Locations in the following countries:

A. The United States of America

### 5. INSURING AGREEMENT

This Policy, subject to the terms, exclusions, limits and conditions contained herein or endorsed hereon, insures against all risks of direct physical loss of or direct physical damage to Insured property as described herein, provided such loss or damage occurs during the policy period.

### 6. INSURED LOCATION

A. The coverages under this Policy apply to an Insured Location unless otherwise provided.

An Insured Location is a location:

- 1) Listed on a schedule on file with the Pool;
- 2) Covered as a Miscellaneous Unnamed Location; or
- 3) Covered under the terms and conditions of the Automatic Coverage, Errors and Omissions, and/or Property in Course of Construction and Soft Costs.

B. References and Application. The following terms wherever used in this Policy mean:

Location:

- 1) As specified in the Schedule of Locations, except for Miscellaneous Unnamed Locations; or



- 2) If not so specified or if a Miscellaneous Unnamed Location, a building, yard, dock, wharf, pier or bulkhead (or any group of the foregoing) bound on all sides by public streets, clear land space or open waterways, each not less than a fifty feet wide separation. Any bridge or tunnel crossing such street, space or waterway will render such separation inoperative for the purpose of this References and Application.

## 7. CURRENCY

All amounts, including deductibles and limits of liability, indicated in this Policy are in the currency of the United States of America. Losses will be adjusted and paid as provided in the CURRENCY FOR LOSS PAYMENT clause of the LOSS ADJUSTMENT AND SETTLEMENT Section.

Premium for this Policy is in the currency of the United States of America.

## 8. LIMITS OF LIABILITY

The Pool's maximum Limit of Liability in a single occurrence regardless of the number of Locations or coverages involved will not exceed the following:

**\$500,000,000**

The terms and conditions in this document, including the sublimits below, constitute the program as a whole for the Member. The Pool's Limit of Liability is limited to its portion of the program as shown by the limits and layers stated above. The sublimits stated below are a part of, and do not increase, any Limits of Liability of the program. Coverage for the sublimits below is recognized by the Pool as being provided by the underlying carriers (if any) and that such coverage can contribute to underlying losses.

When a limit of liability is shown as applying in the Aggregate during Any Policy Year, the Pool's maximum limit of liability will not exceed such limit during any policy year regardless of the number of locations and coverages involved.

The following Sublimits apply on a per occurrence basis, unless otherwise stated. Any Sublimit shown as an annual aggregate applies per occurrence and to all losses for that peril/coverage in the aggregate during the policy term.

### Sublimits:

\$10,000,000	ACCOUNTS RECEIVABLE
\$25,000,000	AUTOMATIC COVERAGE – 90 DAY LIMITATION, THEN COVERED UNDER MISCELLANEOUS UNNAMED LOCATIONS
\$100,000,000	BUILDING ORDINANCE INCLUDING DEMOLITION & INCREASED COST OF CONSTRUCTION
\$10,000,000	COMMISSIONS, PROFITS AND ROYALTIES
\$10,000,000	DIRECT CONTINGENT BUSINESS INTERRUPTION/CONTINGENT EXTRA EXPENSE (EXCLUDING EARTHQUAKE AND FLOOD)
\$25,000,000	DEBRIS REMOVAL (GREATER OF 25% OF LOSS OR THE LIMIT SHOWN)

\$5,000,000	DECONTAMINATION COSTS
\$1,000,000	DEFERRED PAYMENTS
\$100,000,000	EARTHQUAKE – SUBJECT TO A \$100,000,000 ANNUAL AGGREGATE
\$100,000,000	EQUIPMENT BREAKDOWN, INCLUDING
	SPOILAGE \$5,000,000
	SERVICE INTERRUPTION \$25,000,000
	BUSINESS INTERRUPTION INCLUDED
	EXTRA EXPENSE \$10,000,000
	EXPEDITING EXPENSE \$5,000,000
	HAZARDOUS SUBSTANCE \$1,000,000
	AMMONIA CONTAMINATION \$1,000,000
	DATA & MEDIA \$10,000,000
	CFC REFRIGERANTS \$1,000,000
	COMPUTER EQUIPMENT INCLUDED
\$25,000,000	ERRORS AND OMISSIONS
\$1,000,000	EVACUATION EXPENSE (ONLY WHEN ACTUAL LOSS OCCURS AT AN INSURED'S LOCATION)
\$5,000,000	EXPEDITING EXPENSE
\$10,000,000	EXTRA EXPENSE
\$10,000,000	EXTENDED PERIOD OF INDEMNITY (LESSER OF ACTUAL LOSS SUSTAINED FOR 180 CONSECUTIVE DAYS OR LIMIT SHOWN)
\$5,000,000	FINE ARTS (OBJECTS OVER \$250,000 IN VALUE MUST BE SCHEDULED AND ARE SUBLIMITED TO THE REPORTED VALUE)
\$200,000,000	FLOOD - SUBJECT TO A \$200,000,000 ANNUAL AGGREGATE
\$10,000,000	FLOOD – SUBJECT TO A \$25,000,000 ANNUAL AGGREGATE AS RESPECTS LOCATIONS SITUATED WHOLLY OR PARTIALLY WITHIN FLOOD ZONES A OR V
\$25,000,000	INTERRUPTION BY CIVIL AUTHORITY (LESSER OF ACTUAL LOSS SUSTAINED FOR 30 CONSECUTIVE DAYS OR LIMIT SHOWN), SUBJECT TO A 5 MILE LIMITATION.
\$25,000,000	LEASEHOLD INTEREST
\$10,000,000	MISCELLANEOUS UNNAMED LOCATIONS
\$1,000,000	MOBILE MEDICAL EQUIPMENT
\$1,000,000	PROFESSIONAL FEES
\$25,000,000	PROPERTY IN COURSE OF CONSTRUCTION AND SOFT COSTS

\$1,000,000	POLLUTANT CLEANUP AND REMOVAL – SUBJECT TO A \$1,000,000 ANNUAL AGGREGATE
\$25,000,000	OFF PREMISES POWER/SERVICE INTERRUPTION - PROPERTY DAMAGE AND TIME ELEMENT COMBINED (INCLUDING TRANSMISSION FACILITIES, EXCLUDING T&D IN EXCESS OF 1 MILE)
\$1,000,000	TAX TREATMENT OF PROFITS
\$INCLUDED	TEMPORARY REMOVAL, EXCEPT \$1,000,000 FOR REMOVAL FOR THE PURPOSE OF BEING REPAIRED OR SERVICED
\$2,000,000	TRANSIT (PD & TE COMBINED)
\$25,000,000	VALUABLE PAPERS & RECORDS & EDP MEDIA
\$25,000,000	INGRESS/EGRESS (LESSER OF ACTUAL COVERED LOSS OR EXPENSE SUSTAINED FOR 30 CONSECUTIVE DAYS OR LIMIT SHOWN) – 5 MILE LIMITATION.
\$1,000,000	LANDSCAPING IMPROVEMENTS, SUBJECT TO \$15,000 ANY ONE ITEM

#### Time Limits

In addition to the time limits shown elsewhere in this Policy, the following apply:

120 Day Period:	AUTOMATIC COVERAGE
30 Day Period:	INTERRUPTION BY CIVIL AUTHORITY
30 Day Period:	INGRESS/EGRESS
180 Day Period:	EXTENDED PERIOD OF INDEMNITY

### **9. PREMIUM**

This Policy is issued in consideration of the annual premium as noted on the PARTICPATION PAGE and further broken out in Policy Change Endorsement, Schedule A.

### **10. VALUE REPORTING PROVISIONS**

The Member has provided the Pool, 100% replacement cost values by location.

### **11. WAITING PERIOD**

For the purposes of applying SERVICE INTERRUPTION, CIVIL AUTHORITY AND INGRESS/EGRESS Coverage, the Waiting Period is twenty-four (24) hours.

### **12. DEDUCTIBLES**

In each case of loss covered by this Policy, the Pool will be liable only if the Member sustains a loss in a single occurrence greater than underlying limit or the applicable deductible specified below, and only for its share of that greater amount.

#### A. Flood

As respects to locations wholly or partially within Flood Zones A & V, the deductible shall be 2% of the 100% Replacement Cost value, per the Valuation clause of the LOSS ADJUSTMENT AND SETTLEMENT section, of the property insured at the Location where physical damage occurred and making a claim for loss, subject to a minimum of \$500,000 for loss or damage to real property and \$500,000 for loss or damage to Personal Property for any one occurrence.

In the event that the Member maintains underlying insurance through the National Flood Insurance Program, it is agreed that this policy excludes the peril of Flood to the extent of recovery under the National Flood Insurance Policy(ies). Should the amount of loss payable under such National Flood Insurance Policy(ies) exceed the applicable Flood deductible under this Policy, then no deductible shall apply hereunder. However, if the amount to be paid under such National Flood Insurance Policy(ies) is less than the applicable Flood deductible under this Policy, then the amount to be deducted hereunder shall not exceed the difference between the amount to be paid under the Member's National Flood Insurance Policy(ies) and the applicable Flood deductible under this Policy. Insurance maintained through the National Flood insurance Program shall be considered Underlying Insurance.

References and Application. The following terms(s) wherever used in this policy means:

1) Flood Zone A or V

Locations designated by the Federal Emergency Management Agency (FEMA) as subject to a flood frequency up to and including the 100 year frequency; except when a finished floor elevation is determined to be above the level of the 100 year flood, or when such location is protected by dams, levees, dikes or walls which (a) protect such areas from at least the level of the 100 year flood, and (b) have no openings or flood gates, and (c) were built by and either maintained or inspected by the Army Corp. of Engineers.

2) Time Element Value

Time Element Value shall be the sum of Gross Earnings, Extra Expense, Leasehold Interests, Rental Insurance and Commissions, Profits & Royalties that would have been earned for the Location(s) where the physical loss or damage occurs, had there not been physical loss or damage.

## **PROPERTY DAMAGE - SECTION B**

### **1. PROPERTY INSURED**

This Policy insures the following property, unless otherwise excluded elsewhere in this Policy, located at an Insured Location or within 1,000 feet thereof, to the extent of the interest of the Member in such property.

A. Real Property, including new buildings and additions under construction at an insured location, in which the Member has an insurable interest.

B. Personal Property:

- 1) Owned by the Member, including the Member's interest as a tenant in improvements and betterments. In the event of physical loss or damage, the Pool agrees to accept and consider the Member as sole and unconditional owner of improvements and betterments, notwithstanding any contract or lease to the contrary;
- 2) Of officers and employees of the Member;
- 3) Of others in the Member's custody to the extent the Member is under obligation to keep insured for physical loss or damage insured by this Policy; or
- 4) Of others in the Member's custody to the extent of the Member's legal liability for physical loss or damage to personal property. The Pool will defend that portion of any suit against the Member that alleges such liability and seeks damages for such insured physical loss or damage. The Pool may, without prejudice, investigate, negotiate and settle any claim or suit as the Pool deems expedient.
- 5) Equipment, towers and vehicles owned or leased by the Member

Personal Property is covered within the Policy Territory with no distance limitation to reported locations.

This Policy also insures the interest of contractors and subcontractors in insured property during construction at an Insured Location or within 1,000 feet thereof, to the extent of the Member's legal liability for insured physical loss or damage to such property. Such interest of contractors and subcontractors is limited to the property for which they have been hired to perform work and such interest will not extend to any TIME ELEMENT coverage provided under this Policy.

### **2. PROPERTY EXCLUDED**

This Policy excludes:

A. Currency, money, precious metal in bullion form, notes, or securities.

B. Land, water or any other substance in or on land; except this exclusion does not apply to

- 1) Land improvements consisting of landscape gardening, roadways, piping, and pavements, but not including any land beneath such property.
- 2) Water that is contained within any enclosed tank, piping system or any other processing equipment.

C. Animals, standing timber or growing crops.



- D. Aircraft, spacecraft or satellites.
- E. Underground mines, mineshafts or caverns or any property within such mine, shaft or cavern.
- F. Dams, dikes, bulkheads, wharves, docks, pilings, piers, canals, tunnels or bridges, off shore drilling rigs, or reservoirs.
- G. Property in Transit unless otherwise described in this policy.
- H. Property sold by the Member under conditional sale, trust agreement, installment plan or other deferred payment plan after delivery to customers except as provided by the DEFERRED PAYMENT coverage of this Policy.

### **3. ADDITIONAL COVERAGES**

This Policy includes the following Additional Coverages for physical loss or damage insured by this Policy. These Additional Coverages:

Are subject to the applicable limit of liability;

Will not increase the Policy limit of liability; and

Are subject to the Policy provisions, including applicable exclusions and deductibles;

all as shown in this Section and elsewhere in this Policy.

#### **A. ACCOUNTS RECEIVABLE**

This Policy covers any shortage in the collection of Accounts Receivable, resulting from insured physical loss or damage to Accounts Receivable records while anywhere within this Policy's TERRITORY, including while in transit. The Pool will be liable for the interest charges on any loan to offset impaired collections pending repayment of such sum uncollectible as the result of such loss or damage. Unearned interest and service charges on deferred payment accounts and normal credit losses on bad debts will be deducted in determining the recovery.

- 1) In the event of loss to Accounts Receivable Records, the Member will use all reasonable efforts, including legal action, if necessary, to effect collection of outstanding Accounts Receivable.
- 2) The Member agrees to use any suitable property or service:
  - a) Owned or controlled by the Member; or
  - b) obtainable from other sources;in reducing the loss under this Additional Coverage.
- 3) This Policy covers any other necessary and reasonable costs incurred to reduce the loss, to the extent the losses are reduced.
- 4) If it is possible to reconstruct Accounts Receivable records so that no shortage is sustained, the Pool will be liable only for the reasonable and necessary cost incurred for material and time required to re-establish or reconstruct such records, and not for any costs covered by any other insurance.

- 5) **ACCOUNTS RECEIVABLE** Exclusions: The following exclusions are in addition to the **EXCLUSIONS** clause of this Section:

This **ADDITIONAL COVERAGE** does not insure against shortage resulting from:

- a. Bookkeeping, accounting or billing errors or omissions; or
- b. (i) Alteration, falsification, manipulation; or  
(ii) Concealment, destruction or disposal;

of Accounts Receivable records committed to conceal the wrongful giving, taking, obtaining or withholding of money, securities or other property; but only to the extent of such wrongful giving, taking, obtaining or withholding.

- 6) The settlement of loss will be made within 90 days from the date of physical loss or damage. All amounts recovered by the Member on outstanding accounts receivable on the date of loss will belong and be paid to the Pool up to the amount of loss paid by the Pool. All recoveries exceeding the amount paid will belong to the Member.

**B. AUTOMATIC COVERAGE (NEWLY ACQUIRED)**

This Policy covers Member property, at any Location rented, leased or purchased by the Member after the inception date of this Policy and equipment, towers and vehicles within the Policy Territory. This coverage applies for a period of days as shown in the **LIMIT OF LIABILITY** clause of the **DECLARATIONS** Section, from the date of rental, lease or purchase.

This Additional Coverage does not apply to property insured in whole or in part by any other insurance policy.

This coverage will apply until whichever of the following occurs first:

- 1) The Location is bound by the Pool;
- 2) The Time Limit shown in the **LIMITS OF LIABILITY** clause in the **DECLARATIONS** has been reached. The Time Limit begins on the date of rental, lease or purchase.

**C. BRANDS AND LABELS**

If branded or labeled property insured by this Policy is physically damaged and the Pool elects to take all or any part of that property, the Member may at the Pool's expense:

- 1) Stamp "salvage" on the property or its containers; or
- 2) Remove or obliterate the brands or labels;

if doing so will not damage the property. In either event, the Member must relabel such property or its containers to be in compliance with any applicable law.

**D. CONSEQUENTIAL REDUCTION IN VALUE**

This Policy covers the reduction in value of insured merchandise that is a part of pairs, sets or components, directly resulting from physical loss or damage insured by this Policy to other insured parts of pairs, sets or components of such merchandise. If settlement is based on a constructive total loss, the Member will surrender the undamaged parts of such merchandise to the Pool.

**E. DEBRIS REMOVAL**

This Policy covers the reasonable and necessary costs incurred to remove debris from an Insured Location that remains as a direct result of physical loss or damage insured by this Policy.

This Additional Coverage does not cover the costs of removal of:

- 1) Contaminated uninsured property; or
- 2) The contaminant in or on uninsured property;

whether or not the contamination results from insured physical loss or damage. Contamination includes, but is not limited to, the presence of pollution or hazardous material.

**F. DECONTAMINATION COSTS**

If insured property is contaminated as a direct result of physical damage insured by this Policy and there is in force at the time of the loss any law or ordinance regulating contamination, including but not limited to the presence of pollution or hazardous material, then this Policy covers, as a direct result of enforcement of such law or ordinance, the increased cost of decontamination and/or removal of such contaminated insured property in a manner to satisfy such law or ordinance. This Additional Coverage applies only to that part of insured property so contaminated as a direct result of insured physical damage.

The Pool is not liable for the costs required for removing contaminated uninsured property nor the contaminant therein or thereon, whether or not the contamination results from an insured event.

**G. DEFERRED PAYMENTS**

This Policy covers insured physical loss or damage to personal property of the type insured sold by the Member under a conditional sale or trust agreement or any installment or deferred payment plan and after such property has been delivered to the buyer. Coverage is limited to the unpaid balance for such property.

In the event of loss to property sold under deferred payment plans, the Member will use all reasonable efforts, including legal action, if necessary, to effect collection of outstanding amounts due or to regain possession of the property.

There is no liability under this Policy for loss:

- 1) Pertaining to products recalled including, but not limited to, the costs to recall, test or to advertise such recall by the Member.
- 2) From theft or conversion by the buyer of the property after the buyer has taken possession of such property.

- 3) To the extent the buyer continues payments.
- 4) Not within the TERRITORY of this Policy.

#### **H. DEMOLITION AND INCREASED COST OF CONSTRUCTION**

- 1) This Policy covers the reasonable and necessary costs incurred, described in Item 3) below, to satisfy the minimum requirements of the enforcement of any law or ordinance regulating the demolition, construction, repair, replacement or use of buildings or structures at an Insured Location, provided:
  - a. Such law or ordinance is in force on the date of insured physical loss or damage; and
  - b. Its enforcement is a direct result of such insured physical loss or damage; and
- 2) This Additional Coverage does not cover any loss due to any law or ordinance with which the Member should have complied before the loss.
- 3) This Additional Coverage, as respects the property insured in Item 1) above, covers:
  - a. The cost to repair or rebuild the physically damaged portion of such property with materials and in a manner to satisfy such law or ordinance; and
  - b. The cost:
    - (i) to demolish the physically undamaged portion of such property insured; and
    - (ii) to rebuild it with materials and in a manner to satisfy such law or ordinance;to the extent that such costs result when the total demolition of the physically damaged insured property is required to satisfy such law or ordinance.
- 4) This Additional Coverage excludes any costs incurred as a direct or indirect result of enforcement of any laws or ordinances regulating any form of contamination including but not limited to the presence of pollution or hazardous material.
- 5) The Pool's maximum liability for this Additional Coverage at each Insured Location in any occurrence will not exceed the actual cost incurred in demolishing the physically undamaged portion of the property insured in Item 1 above plus the lesser of:
  - a. The reasonable and necessary cost incurred, excluding the cost of land, in rebuilding on another site; or
  - b. The cost of rebuilding on the same site.

#### **I. EARTHQUAKE**

This Policy covers physical loss or damage caused by or resulting from Earthquake.

This Additional Coverage does not apply to loss or damage caused by or resulting from flood; rising waters; waves; tide or tidal water; the release of water; the rising, overflowing or breaking of boundaries of natural or man-made bodies of water; or the spray therefrom, surface water or sewer



back-up resulting from any of the foregoing; all regardless of any other cause or event contributing concurrently or in any other sequence to the loss.

References and Application: The following terms wherever used in this Policy mean:

**Earthquake:**

Any natural or man-made earth movement including, but not limited to earthquake, landslide, subsidence or volcanic eruption regardless of any other cause or event contributing concurrently or in any other sequence of loss. However, physical damage by fire, explosion, or sprinkler leakage resulting from Earthquake will not be considered to be loss by Earthquake within the terms and conditions of this Policy. All Earthquakes within a continuous 72 hour period will be considered a single Earthquake.

**J. EVACUATION EXPENSE**

In the case of actual loss or damage of the type insured against by this policy, this policy will pay the Expenses incurred by the Member for the emergency evacuation of patients from an insured location. This additional coverage does not apply to any expenses incurred for: scheduled evacuation drills, fire or safety drills or the evacuation of a patient due to a medical condition.

**K. ERRORS AND OMISSIONS**

If physical loss or damage is not payable under this Policy solely due to an error or unintentional omission:

- 1) In the description of where insured property is physically located;
- 2) To include any Location:
  - a. Owned, rented or leased by the Member on the effective date of this Policy; or
  - b. Purchased, rented or leased by the Member during the term of this Policy; or
- 3) That results in cancellation of the property insured under this Policy;

This Policy covers such physical loss or damage, to the extent it would have provided coverage had such error or unintentional omission not been made.

It is a condition of this Additional Coverage that any error or unintentional omission be reported by the Member to the Pool when discovered and corrected.

**L. EXPEDITING COSTS**

This Policy covers the reasonable and necessary costs incurred to pay for the temporary repair of insured damage to insured property and to expedite the permanent repair or replacement of such damaged property.

This Additional Coverage does not cover costs:

- 1) Recoverable elsewhere in this Policy; or
- 2) Of permanent repair or replacement of damaged property.

#### **M. FINE ARTS**

This Policy covers physical loss or damage to Fine Arts articles while anywhere within this Policy's TERRITORY, including while in transit.

- 1) This additional coverage excludes loss or damage if the Fine Arts cannot be replaced with other of like kind and quality, unless it is specifically declared to the Pool.
- 2) FINE ARTS Exclusion: The exclusions in the EXCLUSIONS clause of this Section do not apply to FINE ARTS coverage except for: A.1), A.2), B.1), B.2), B.3)a and B.4). In addition, as respects FINE ARTS, the following exclusions apply:

This Policy does not insure against:

- a. Deterioration, wear and tear or inherent vice;
  - b. Loss or damage from any repairing, restoration or retouching process.
- 3) References and Application: The following term wherever used means:

Fine Arts: Paintings; etchings; pictures; tapestries; rare or art glass; art glass windows; valuable rugs; statuary; sculptures; antique furniture; antique jewelry; bric-a-brac; porcelains; and similar property of rarity, historical value, or artistic merit excluding automobiles, coins, stamps, furs, jewelry, precious stones, precious metals, watercraft, aircraft, money, securities.

#### **N. FLOOD**

This Policy covers physical loss or damage caused by or resulting from Flood.

References and Application: The following terms wherever used in this Policy mean:

The term "flood" shall mean:

1. A general and temporary condition of partial or complete inundation of normally dry land areas from:
  - (a) Flood, or rising waters, waves, tide or tidal water;
  - (b) the unusual and rapid accumulation or runoff of surface waters from any source; or
  - (c) mudslide or mud flow caused by accumulation of water on or under the ground.
2. the release of water, the rising, overflowing or breaking of boundaries of natural or man-made bodies of water, or the spray therefrom;
3. surface water or water that backs up or flows from a sewer, drain or sump;

However, physical damage by fire, explosion or sprinkler leakage resulting from Flood is not considered to be loss by Flood within the terms and conditions of this Policy.

#### **O. LAND AND WATER CONTAMINANT OR POLLUTANT CLEANUP, REMOVAL & DISPOSAL**

This Policy covers the reasonable and necessary cost for the cleanup, removal and disposal of contaminants or pollutants from uninsured property consisting of land, including water or any other

substance in land, and water on land, at the Insured Location if the release, discharge or dispersal of contaminants or pollutants is a direct result of insured physical loss or damage to insured property.

This Policy does not cover the cost to cleanup, remove and dispose of contaminants or pollutants from such property:

- 1) At any location insured for personal property only; or
- 2) At any property insured under AUTOMATIC COVERAGE, ERRORS AND OMISSIONS or Miscellaneous Unnamed Locations coverage provided by this Policy; or
- 3) When the Member fails to give written notice of loss to the Pool within 180 days after inception of the loss.

Pollution definition shall be any solid, liquid, gaseous or thermal irritant or contaminant, including, but not limited to, smoke, vapor, soot, fumes, acids, alkalis, chemicals, bacteria, fungi, virus, mold, spores, vaccines and waste. Waste includes materials to be recycled, reconditioned or reclaimed.

#### **P. MISCELLANEOUS UNNAMED LOCATIONS**

The Member's interest in covered property at any location which is not specifically on file, identified, or scheduled by the Insurer. No coverage is provided under this provision on property while ~~in transit~~ or waterborne.

This provision does not cover any property insured or excluded under any other item of this policy.

#### **Q. MOBILE MEDICAL EQUIPMENT**

This Policy covers physical loss or damage to medical equipment contained in Mobile Medical Care Vans, Ambulances, Mobile MRI, CAT Scan or other similar mobile units owned or operated by the Member.

#### **R. PROFESSIONAL FEES**

This Policy covers the actual costs incurred by the Member, of reasonable fees payable to the Member's accountants, architects, auditors, engineers, or other professionals and the cost of using the Member's employees, for producing and certifying any particulars or details contained in the Member's books or documents, or such other proofs, information or evidence required by the Pool resulting from insured loss payable under this Policy for which the Pool has accepted liability.

Coverage will not include the fees and costs of attorneys, public adjusters, and loss appraisers, all including any of their subsidiary, related or associated entities either partially or wholly owned by them or retained by them for the purpose of assisting them.

#### **S. PROPERTY IN THE COURSE OF CONSTRUCTION AND SOFT COSTS**

This Policy covers projects in the course of construction, at new sites and non-scheduled locations, subject to the "total project value" not to exceed the Sublimit shown in the Limits of Liability Clause of the Declarations section.

This Additional Coverage also covers the necessary Soft Costs incurred by the Member during the Period of Recovery and directly caused by physical loss or damage of the type insured against to real or personal property of the type covered which is in the course of construction, including those at new

sites and non-scheduled locations subject to the "total project value" not to exceed the Sublimit shown in the Limits of Liability Clause of the Declarations section.

This coverage will apply until whichever of the following occurs first:

- 1) The Location is bound by the Pool;
- 2) The Time Limit shown in the LIMITS OF LIABILITY clause in the DECLARATIONS has been reached. The Time Limit begins on the date of rental, lease or purchase.

References and Application: The following terms wherever used in this Policy mean:

The term "Soft Costs" shall mean:

- 1) Interest expense;
- 2) General overhead-developer expenses and additional real estate taxes
- 3) Legal or professional fees;
- 4) Marketing expenses and advertising expenses;
- 5) Debt service payments and insurance premiums;
- 6) Refinancing charges and bond interest;
- 7) Founders fees and miscellaneous operating expenses

#### **T. PROTECTION AND PRESERVATION OF PROPERTY**

This Policy covers:

- 1) Reasonable and necessary costs incurred for actions to temporarily protect or preserve insured property, provided such actions are necessary due to actual, or to prevent immediately impending, insured physical loss or damage to such insured property.
- 2) Reasonable and necessary:
  - a. Fire department fire fighting charges imposed as a result of responding to a fire in, on or exposing the insured property;
  - b. Costs incurred of restoring and recharging fire protection systems following an insured loss; and
  - c. Costs incurred for the water used for fighting a fire in, on or exposing the insured property.

This Additional Coverage is subject to the deductible provisions that would have applied had the physical loss or damage occurred.

#### **U. SERVICE INTERRUPTION PROPERTY DAMAGE**

- 1) This Policy covers physical loss or damage to insured property at an Insured Location when such physical loss or damage results from the interruption of the specified incoming services consisting of electricity, gas, fuel, steam, water, refrigeration or from the lack of outgoing sewerage service by reason of physical loss or damage of the type insured against to real and personal property of the type covered to the facilities of the supplier of such service located within this Policy's TERRITORY, that immediately prevents in whole or in part the delivery of such usable service.



- 2) This Additional Coverage will apply when the Period of Service Interruption is in excess of the time shown as Waiting Period in the WAITING PERIOD clause of the DECLARATIONS Section.
- 3) Additional General Provisions:
  - a. The Member will immediately notify the suppliers of services of any interruption of such services.
  - b. The Pool will not be liable if the interruption of such services is caused directly or indirectly by the failure of the Member to comply with the terms and conditions of any contracts the Member has for the supply of such specified services.
- 4) References and Application: The following term wherever used means:

Period of Interruption:

The period starting with the time when an interruption of specific services occurs; and ending when with due diligence and dispatch the service could be wholly restored.

#### **V. TAX TREATMENT OF PROFITS**

This Policy is extended to cover the increased tax liability from an insured loss at an Insured Location if the tax treatment of:

- 1) The profit portion of a loss payment under this Policy involving finished stock manufactured by the Member; and /or
- 2) The profit portion of a TIME ELEMENT loss payment under this Policy;

is greater than the tax treatment of profits that would have been incurred had no loss occurred.

#### **W. TEMPORARY REMOVAL OF PROPERTY**

- 1) When insured property is removed from an Insured Location for the purpose of being repaired or serviced or in order to avoid threatened physical loss or damage of the type insured by this Policy, this Policy covers such property:
  - a. While at the location to which such property has been moved; and
  - b. For physical loss or damage as provided at the Insured Location from which such property was removed.
- 2) This Additional Coverage does not apply to property:
  - a. Insured, in whole or in part, elsewhere in this Policy;
  - b. Insured, in whole or in part, by any other insurance policy; or
  - c. Removed for normal storage, processing or preparation for sale or delivery.

#### **X. TRANSIT**

- 1) This Policy covers the following within the territory of this policy, Personal Property, except as

excluded by this Policy, while in transit:

- a. Owned by the Member within the territory of this policy.
- b. Shipped to customers under F.O. B., C & F or similar terms. The Member's contingent interest in such shipments is admitted.
- c. Of others in the actual or constructive custody of the Member to the extent of the Member's interest or legal liability.
- d. Of others sold by the Member that the Member has agreed prior to the loss to insure during course of delivery.

2) This Additional Coverage excludes:

- a. Samples in the custody of salespeople or selling agents.
- b. Property insured under import or export ocean marine insurance.
- a. Waterborne shipments, unless:
  - i) by inland water; or
  - ii) by coastal shipments.
- d. Airborne shipments unless by regularly scheduled passenger airlines or air freight carriers.
- e. Property of others, including the Member's legal liability for it, hauled on vehicles owned, leased or operated by the Member when acting as a common or contract carrier.
- f. Any transporting vehicle.
- g. Property shipped between continents, except by land or air between Europe and Asia.

3) Coverage Attachment and Duration

- a. This ADDITIONAL COVERAGE covers from the time the property leaves the original point of shipment for transit until the property arrives at destination.
- b. However, coverage on export shipments not insured under ocean cargo policies ends when the property is loaded on board overseas vessels or aircraft. Coverage on import shipments not insured under ocean cargo policies begins after discharge from overseas vessels or aircraft.

4) This Additional Coverage:

- a. Covers general average and salvage charges on shipments covered while waterborne.
- b. Insures physical loss or damage caused by or resulting from:
  - i) Unintentional acceptance of fraudulent bills of lading, shipping or messenger receipts;
  - ii) Improper parties having gained possession of property through fraud or deceit.

- 5) The exclusions in the EXCLUSION clause of this Section do not apply to TRANSIT coverage except for: A.1) through A.4), B.1) through B.4), C.1), C.3), C.5), C.6), D.1) and D.2).
- 6) Additional General Provisions
  - a. This Additional Coverage will not inure directly or indirectly to the benefit of any carrier or bailee.
  - b. The Member has permission, without prejudicing this insurance, to accept:
    - i) Ordinary bills of lading used by carriers;
    - ii) Released bills of lading;
    - iii) Undervalued bills of lading; and
    - iv) Shipping or messenger receipts.
  - c. The Member may waive subrogation against railroads under sidetrack agreements.

Except as otherwise stated, the Member will not enter into any special agreement with carriers releasing them from their common law or statutory liability.

#### **Y. VALUABLE PAPERS AND RECORDS & EDP MEDIA**

This Policy covers physical loss or damage to VALUABLE PAPERS AND RECORDS & EDP MEDIA while anywhere within this Policy's TERRITORY, including while in transit.

- 1) This Additional Coverage excludes loss or damage to:
  - a. Property described below, if such property cannot be replaced with other of like kind and quality, unless specifically declared to the Pool;
  - b. Currency, money or securities;
  - c. Property held as samples or for sale or for delivery after sale, and
- 2) VALUABLE PAPERS AND RECORDS & EDP MEDIA Exclusions: The exclusions in the EXCLUSIONS clause of this Section do not apply to VALUABLE PAPERS AND RECORDS & EDP MEDIA coverage except for: A.1) and B.1) to B.4). In addition, as respects VALUABLE PAPERS AND RECORDS & EDP MEDIA the following exclusions apply:

This Policy does not insure:

- a. Errors or omissions in processing, programming or copying unless physical damage not excluded by this policy results, in which event, this coverage will insure only such resulting damage.
  - b. Deterioration, inherent vice, vermin or wear and tear; all unless physical damage not excluded by this coverage results, in which event, this coverage will insure only such resulting damage.
- 3) References and Application: The following term wherever used in this Policy means:

Valuable Papers & Records: Written, printed or otherwise inscribed documents, securities, and records including but not limited to books, maps, films, drawings, abstracts, evidence of debt, deeds, mortgages, mortgage files, manuscripts and micro or electronically/magnetically inscribed documents, but not including the monetary value of monies and/or securities.

Electronic Data Processing Systems: shall include, but not be limited to, transferring equipment, computer systems, telecommunications systems or electronic control equipment and component parts.

EDP Media: All forms of data, converted data, electronically converted data and/or programs and/or applications and/or instructions and/or media vehicles employed.

#### 4. EXCLUSIONS

The following exclusions apply unless specifically stated elsewhere in this Policy.

A. This Policy excludes:

- 1) Indirect or remote loss or damage.
- 2) Interruption of business; except to the extent provided by this Policy.
- 3) Loss of market or loss of use.
- 4) Loss or damage or deterioration arising from any delay.
- 5) Mysterious disappearance, loss or shortage disclosed on taking inventory, or any unexplained loss.
- 6) Loss from enforcement of any law or ordinance:
  - a. Regulating the construction, repair, replacement, use or removal, including debris removal, of any property; or
  - b. Requiring the demolition of any property, including the cost in removing its debris;except as provided by the DEBRIS REMOVAL, DECONTAMINATION COSTS and DEMOLITION AND INCREASED COST OF CONSTRUCTION coverages of the PROPERTY DAMAGE Section of this Policy.
- 7) Loss from the accumulated effects of smog, smoke, vapor, liquid and dust.

B. This Policy excludes loss or damage directly or indirectly caused by or resulting from any of the following regardless of any other cause or event, whether or not insured under this Policy, contributing concurrently or in any other sequence to the loss:

- 1) Nuclear reaction or nuclear radiation or radioactive contamination. However:
  - a. If physical damage by fire or sprinkler leakage results, then only that resulting damage is insured; but not including any loss or damage due to nuclear reaction, radiation or radioactive contamination.
  - b. This Policy does insure physical damage directly caused by sudden and accidental radioactive contamination, including resultant radiation damage, from material used or stored or from



processes conducted on the Insured Location, provided that on the date of loss, there is neither a nuclear reactor nor any new or used nuclear fuel on the Insured Location.

- 2) a. Hostile or warlike action in time of peace or war, including action in hindering, combating or defending against an actual, impending or expected attack by any:
    - (i) Government or sovereign power (de jure or de facto);
    - (ii) Military, naval or air force; or
    - (iii) Agent or authority of any party specified in (i) or (ii) above.
  - b. Discharge, explosion or use of any nuclear device, weapon or material employing or involving nuclear fission, fusion or radioactive force, whether in time of peace or war and regardless of who commits the act.
  - c. Insurrection, rebellion, revolution, civil war, usurped power, or action taken by governmental authority in hindering, combating or defending against such an event.
  - d. Seizure or destruction under quarantine or custom regulation, or confiscation by order of any governmental or public authority.
  - e. Risks of contraband, or illegal transportation or trade.
- 3) Any dishonest act, including but not limited to theft, committed alone or in collusion with others, at any time:
    - a. By a Member or any proprietor, partner, director, trustee, officer, or employee of a Member; or
    - b. By any proprietor, partner, director, trustee, or officer of any business or entity (other than a common carrier) engaged by a Member to do anything in connection with property insured under this Policy.

This Policy does insure acts of direct insured physical damage intentionally caused by an employee of a Member or any individual specified in b. above, and done without the knowledge of the Member. In no event does this Policy cover loss by theft by any individual specified in a. or b. above.

- 4) Lack of the following services:
  - a) incoming electricity, fuel, water, gas, steam, refrigerant;
  - b) outgoing sewerage;
  - c) incoming or outgoing voice, data or video;

all when caused by an occurrence off the Insured Location, except as provided in SERVICE INTERRUPTION in the PROPERTY DAMAGE or TIME ELEMENT Section of this Policy. But, if the lack of such a service directly causes physical damage insured by this Policy on the Insured Location, then only that resulting damage is insured.

- C. This Policy excludes the following, but, if physical damage not excluded by this Policy results, then only that resulting damage is insured:

- 1) Faulty workmanship, material, construction or design from any cause.
  - 2) Loss or damage to stock or material attributable to manufacturing or processing operations while such stock or material is being processed, manufactured, tested, or otherwise worked on.
  - 3) Deterioration, depletion, rust, corrosion or erosion, , wear and tear, inherent vice or latent defect.
  - 4) Settling, cracking, shrinking, bulging, or expansion of foundations (including any pedestal, pad, platform or other property supporting machinery), floors, pavements, walls, ceilings or roofs.
  - 5) a) Changes of temperature damage (except to machinery or equipment); or  
b) Changes in relative humidity damage;  
all whether atmospheric or not.
  - 6) Insect, animal or vermin damage.
- D. This Policy excludes the following unless directly resulting from other physical damage not excluded by this Policy:
- 1) Contamination including but not limited to the presence of pollution or hazardous material; and
  - 2) Shrinkage, changes in color, flavor, texture or finish.
  - 3) Fungus, mold or mildew.

## **TIME ELEMENT - SECTION C**

### **1. LOSS INSURED**

- A. This Policy insures TIME ELEMENT loss, as provided in the TIME ELEMENT COVERAGES, directly resulting from physical loss or damage of the type insured by this Policy :
- 1) To property described elsewhere in this Policy and not otherwise excluded by this Policy or otherwise limited in the TIME ELEMENT COVERAGES below; and
  - 2) Used by the Member, or for which the Member has contracted use; and
  - 4) Located at an Insured Location; and
  - 4) While in transit as provided by this policy; and
  - 5) During the Periods of Liability described in this Section.
- B. This Policy insures TIME ELEMENT loss only to the extent it cannot be reduced through:
- 1) The use of any property or service owned or controlled by the Member;
  - 2) The use of any property or service obtainable from other sources;
  - 3) Working extra time or overtime; or
  - 4) The use of inventory;
- all whether at an Insured Location or at any other location. The Pool reserves the right to take into consideration the combined operating results of all associated, affiliated or subsidiary companies of the Member in determining the TIME ELEMENT loss.
- C. This Policy covers expenses reasonably and necessarily incurred by the Member to reduce the loss otherwise payable under this Section of this Policy. The amount of such recoverable expenses will not exceed the amount by which the loss has been reduced.
- D. Except as respects LEASEHOLD INTEREST, in determining the amount of loss payable, the Pool will consider the experience of the business before and after and the probable experience during the PERIOD OF LIABILITY.

### **2. TIME ELEMENT COVERAGES**

#### **A. GROSS EARNINGS**

- 1) Measurement of Loss:
  - a. The recoverable GROSS EARNINGS loss is the Actual Loss Sustained by the Member of the following during the PERIOD OF LIABILITY:
    - i) Gross Earnings including ordinary payroll (as per submitted Business Interruption worksheets);

- ii) Less all charges and expenses that do not necessarily continue during the interruption of production or suspension of business operations or services;
  - iii) Plus all other earnings derived from the operation of the business;
- b. In determining the indemnity payable as the Actual Loss Sustained, the Pool will consider the continuation of only those normal charges and expenses that would have been earned had no interruption of production or suspension of business operations or services occurred.
- c. There is recovery hereunder only to the extent that the Member is:
- i) Wholly or partially prevented from producing goods or continuing business operations or services;
  - ii) Unable to make up lost production within a reasonable period of time, not limited to the period during which production is interrupted;
  - iii) Unable to continue such operations or services during the PERIOD OF LIABILITY; and
  - iv) Able to demonstrate a loss of sales for the services or production prevented.

2) References and Application: The following term means:

Gross Earnings, as used in item 1)a.i):

- a. For manufacturing operations: the net sales value of production less the cost of all raw stock, materials and supplies used in such production; or
- b. For mercantile or non-manufacturing operations: the total net sales less cost of merchandise sold, materials and supplies consumed in the operations or services rendered by the Member.

Ordinary Payroll, as used in item 1) a. i):

Ordinary Payroll includes the Member's payroll for all employees except officers, executives, department managers, and employees under contract. It is comprised of, but not limited to, the payroll, benefits paid for the payroll, social security (FICA), union dues paid for the payroll, and workers compensation paid for the payroll.

Any amount recovered under property damage coverage at selling price for loss or damage to merchandise will be considered to have been sold to the Member's regular customers and will be credited against net sales.

**B. EXTRA EXPENSE**

1) Measurement of Loss:

The recoverable EXTRA EXPENSE loss will be the reasonable and necessary extra costs incurred by the Member of the following during the PERIOD OF LIABILITY:

- a. Extra expenses to temporarily continue as nearly normal as practicable the conduct of the Member's business and

b. Extra costs of temporarily using property or facilities of the Member or others;

less any value remaining at the end of the PERIOD OF LIABILITY for property obtained in connection with the above.

2) EXTRA EXPENSE Exclusions: As respects EXTRA EXPENSE, the following are also excluded:

- a. Any loss of income.
- b. Costs that normally would have been incurred in conducting the business during the same period had no physical loss or damage occurred.
- c. Cost of permanent repair or replacement of property that has been damaged or destroyed.
- d. Any expense recoverable elsewhere in this Policy.

3) References and Application: The following term means:

Normal: The condition that would have existed had no physical loss or damage occurred.

### **C. LEASEHOLD INTEREST**

1) Measurement of Loss: The recoverable LEASEHOLD INTEREST loss is as follows:

- a. If the lease agreement requires continuation of rent; and if the property is wholly untenable or unusable, the actual rent payable for the unexpired term of the lease; or if the property is partially untenable or unusable, the proportion of the rent payable for the unexpired term of the lease.
- b. If the lease is canceled by the lessor pursuant to the lease agreement or by the operation of law; the Lease Interest for the first three months following the loss; and the Net Lease Interest for the remaining unexpired term of the lease.

2) References and Application: The following terms mean:

- a. Lease Interest: The excess rent paid for the same or similar replacement property over actual rent payable plus cash bonuses or advance rent paid (including maintenance or operating charges) for each month during the unexpired term of the Member's lease.
- b. Net Lease Interest: That sum which placed at 8% interest rate compounded annually would equal the Lease Interest (less any amounts otherwise payable hereunder).

3) LEASEHOLD INTEREST Exclusions: As respects LEASEHOLD INTEREST, TIME ELEMENT EXCLUSIONS A, B, and C do not apply and the following applies instead:

This Policy does not insure any increase in loss resulting from the suspension, lapse or cancellation of any license, or from the Member exercising an option to cancel the lease; or from any act or omission of the Member that constitutes a default under the lease.

In addition, there is no coverage for the Member's loss of LEASEHOLD INTEREST directly resulting from damage to Personal Property.



#### **D. RENTAL INSURANCE**

- 1) Measurement of Loss: The recoverable RENTAL INSURANCE loss is the Actual Loss Sustained by the Member of the following during the PERIOD OF LIABILITY:
  - a. The fair rental value of any portion of the property occupied by the Member;
  - b. The income reasonably expected from rentals of unoccupied or unrented portions of such property; and
  - c. The rental income from the rented portions of such property according to bona fide leases, contracts or agreements in force at the time of loss;all not to include noncontinuing charges and expenses.
- 2) RENTAL INSURANCE Exclusions: As respects RENTAL INSURANCE, TIME ELEMENT EXCLUSION A does not apply and the following applies instead:

This Policy does not insure any loss of rental income during any period in which the Member property would not have been tenantable for any reason other than an insured loss.

#### **E. COMMISSIONS, PROFITS AND ROYALTIES**

- 1) Measurement of Loss:
  - a. The recoverable COMMISSIONS, PROFITS AND ROYALTIES loss is the Actual Loss Sustained by the Member of the following during the PERIOD OF LIABILITY:
    - i) Commissions, Profits and Royalties;
    - ii) Less noncontinuing expenses and charges during the PERIOD OF LIABILITY.
  - b. The Commissions, Profits and Royalties payable hereunder will be the actual loss sustained of income to the Member during the PERIOD OF LIABILITY under any royalty, licensing fee or commission agreement between the Member and another party which is not realizable due to physical loss or damage insured by this Policy to property of the other party of the type insured by this Policy located within the Policy TERRITORY.
  - c. The Member will influence, to the extent possible, said party(ies) with whom the agreements described above have been made to use any other machinery, supplies or locations in order to resume business so as to reduce the amount of loss hereunder, and the Member will cooperate with that party in every way to effect this. This Policy does not cover any cost to effect the above unless authorized in advance by the Pool.
  - d. In determining the indemnity payable hereunder, the Pool will consider the amount of income derived from such agreements before and the probable amount of income after the date of loss or damage.
  - e. There is recovery hereunder but only if such loss or damage interrupts the delivery of goods in whole or in part to the Member or for their account.
- 2) References and Application: The following terms mean:

- a. Commissions: The income that would have been received by the Member from the sale of goods not owned by the Member.
  - b. Profits: The amount that would have been received by the Member from the sale of goods belonging to the Member, in excess of the cost to the Member of such goods.
  - c. Royalties: The income the Member is not able to collect under royalty or licensing agreements.
- 3) COMMISSION, PROFITS AND ROYALTIES Exclusions: As respects COMMISSIONS, PROFITS AND ROYALTIES, TIME ELEMENT Exclusion C does not apply.

### **3. TIME ELEMENT COVERAGE EXTENSIONS**

#### **A. CONTINGENT BUSINESS INTERRUPTION**

This Policy covers the Actual Loss Sustained and EXTRA EXPENSE incurred by the Member during the PERIOD OF LIABILITY:

- 1) Directly resulting from physical loss or damage of the type insured; and
- 2) To property of the type insured,

at direct supplier or customer locations located within the TERRITORY of this Policy.

The term “supplier or customer” does not include any company supplying to or receiving from the Insured Location, as described elsewhere in this Policy, electricity, fuel, gas, water, steam, refrigeration, sewage or telecommunications.

#### **B. EXTENDED PERIOD OF INDEMNITY**

**The GROSS EARNINGS coverage is extended to cover the reduction in sales resulting from:**

- 1) The interruption of business as covered by GROSS EARNINGS:
- 2) For such additional length of time as would be required with the exercise of due diligence and dispatch to restore the Member’s business to the condition that would have existed had no loss occurred; and
- 3) Commencing with the date on which the liability of the Pool for loss resulting from interruption of business would terminate if this Extension had not been included herein.

EXTENDED PERIOD OF INDEMNITY Exclusions: As respects EXTENDED PERIOD OF INDEMNITY, the TIME ELEMENT EXCLUSION for increase in loss due to suspension, lapse of any lease, contract or license or order does not apply.

This policy does not insure against any increase in loss due to fines or damages for breach of contract or for late or noncompletion of orders, or penalties of any nature.

Coverage under this Extension for the reduction in sales due to contract cancellation will be limited to only those sales that would have been earned under the contract during the extended period of indemnity.

Coverage under this extension does not apply for more than the number of consecutive days shown in the LIMITS OF LIABILITY Clause of the DECLARATIONS Section.

**C. INGRESS/EGRESS**

This Policy covers the Actual Loss Sustained and Extra Expense incurred by the Member due to the necessary interruption of the Member's business due to prevention of ingress to or egress from an Insured Location, whether or not the premises or property of the Member is damaged, provided that such prevention is a direct result of physical damage of the type insured by this Policy, to the kind of property not excluded by this Policy, and which is located within five (5) statute mile of the Insured Location incurring loss.

INGRESS/EGRESS Exclusions: As respects INGRESS/EGRESS, the following exclusions are applicable:

This Policy does not insure loss resulting from:

- 1) lack of incoming or outgoing service consisting of electric, fuel, gas, water, steam, refrigerant, sewerage and telecommunications.
- 2) picketing or other action by strikers except for physical damage not excluded by this Policy.

This Policy does not provide coverage under this extension for more than the number of consecutive days shown in the LIMITS OF LIABILITY clause of the DECLARATIONS Section.

**D. INTERRUPTION BY CIVIL AUTHORITY**

This Policy covers the Actual Loss Sustained and Extra Expense incurred by the Member during the Period of Liability, not exceeding thirty (30) consecutive calendar days, when access to covered locations is specifically prohibited by order of civil authority, provided such order is a direct result of actual loss or damage from a peril covered under this Policy to property of the type insured against under this policy which is located within five (5) statute miles of the Insured Location to which access is prohibited.

The Pool shall not be liable under this extension for more than shown in the LIMITS OF LIABILITY Clause of the DECLARATIONS Section.

All claims under this extension for loss, damage or expense arising out of one "occurrence" shall be adjusted as one loss.

**E. ON PREMISES SERVICES**

This Policy covers the Actual Loss Sustained by the Member during the PERIOD OF LIABILITY directly resulting from physical loss or damage of the type insured to the following property located within 1 mile of the Insured Location:

- 1) Electrical and telecommunications equipment.
- 2) Electrical, telecommunications, fuel, gas, water, steam, refrigeration and sewerage transmission lines.

#### **F. PROTECTION AND PRESERVATION OF PROPERTY – TIME ELEMENT**

This Policy covers the Actual Loss Sustained by the Member for a period of time not to exceed 24 hours prior to and 24 hours after the Member first taking reasonable action for the temporary protection and preservation of property insured by this Policy provided such action is necessary to prevent immediately impending physical loss or damage insured by this Policy at such insured property.

This extension is subject to the deductible provisions that would have applied had the physical loss or damage occurred.

#### **G. RELATED REPORTED VALUES**

If reported TIME ELEMENT values include:

- 1) Locations used by the Member (such as branch stores, sales outlets and other plants) but not listed on a schedule under this Policy; and
- 2) A TIME ELEMENT loss would result at such locations,
- 3) From insured physical loss or damage at an Insured Location;

then this Policy provides coverage for such resulting TIME ELEMENT loss in accordance with the coverage applicable at such Insured Location.

#### **H. RESEARCH AND DEVELOPMENT**

The GROSS EARNINGS and GROSS PROFIT coverages are extended to insure the Actual Loss Sustained by the Member of continuing fixed charges and ordinary payroll directly attributable to the interruption of research and development activities, that in themselves would not have produced income during the PERIOD OF LIABILITY.

The PERIOD OF LIABILITY for this TIME ELEMENT COVERAGE EXTENSION will be the period from the time of direct physical loss or damage of the type insured by this Policy to the time when the property could be repaired or replaced and made ready for operations under the same or equivalent physical and operating conditions that existed prior to damage.

#### **I. SERVICE INTERRUPTION TIME ELEMENT**

- 1) This Policy covers the Actual Loss Sustained and Extra Expense incurred by the Member during the Period of Service Interruption at Insured Locations when the loss is caused by the interruption of incoming services consisting of electricity, gas, fuel, steam, water, refrigeration or from the lack of outgoing sewerage service by reason of physical loss or damage of the type insured against to real and personal property of the type covered to the facilities of the utility supplier of such service located within this Policy's TERRITORY, that immediately prevents in whole or in part the delivery of such usable services.
- 2) This extension will apply when the Period of Service Interruption is in excess of the time shown as Waiting Period in the WAITING PERIOD clause of the DECLARATIONS Section.
- 3) Additional General Provisions:

- a. The Member will immediately notify the suppliers of services of any interruption of such services.
- b. The Pool will not be liable if the interruption of such services is caused directly or indirectly by the failure of the Member to comply with the terms and conditions of any contracts the Member has for the supply of such specified services.

5) References and Application: The following term means:

Period of Service Interruption:

- a. The period starting with the time when an interruption of specified services occurs; and ending when with due diligence and dispatch the service could be wholly restored and the Location receiving the service could or would have resumed normal operations following the restorations of service under the same or equivalent physical and operating conditions as provided by the Period of Liability provision of this Section of this Policy.
- b. The Period of Service Interruption is limited to only those hours during which the Member would or could have used services(s) if it had been available.
- a. The Period of Service Interruption does not extend to include the interruption of operations caused by any reason other than interruption of the specified service(s).

#### **4. PERIOD OF LIABILITY**

A. The PERIOD OF LIABILITY applying to all TIME ELEMENT COVERAGES, except GROSS PROFIT and LEASEHOLD INTEREST and as shown below, or if otherwise provided under the TIME ELEMENT COVERAGE EXTENSIONS, is as follows:

1) For building and equipment, the period:

- a. Starting from the time of physical loss or damage of the type insured against; and
- b. Ending when with due diligence and dispatch the building and equipment could be:
  - i) Repaired or replaced; and
  - ii) Made ready for operations;

under the same or equivalent physical and operating conditions that existed prior to the damage.
- c. Not to be limited by the expiration of this policy.

2) For building and equipment under construction:

- a. The equivalent of the above period of time will be applied to the level of business that would have been reasonably achieved after construction and startup would have been completed had no physical damage happened; and
- b. Due consideration will be given to the actual experience of the business compiled after completion of the construction and startup.

This item does not apply to COMMISSIONS, PROFITS AND ROYALTIES.



- 3) For stock-in-process and mercantile stock, including finished goods not manufactured by the Member, the time required with the exercise of due diligence and dispatch:
- a. To restore stock in process to the same state of manufacture in which it stood at the inception of the interruption of production or suspension of business operations or services; and
  - b. To replace physically damaged mercantile stock.

This item does not apply to RENTAL INSURANCE.

- 4) For raw materials and supplies, the period of time:
- a. Of actual interruption of production or suspension of operations or services resulting from the inability to get suitable raw materials and supplies to replace similar ones damaged; but
  - b. Limited to that period for which the damaged raw material and supplies would have supplied operating needs.

- 5) If water:

- a. Used for any manufacturing purpose, including but not limited to as a raw material or for power;
- b. Stored behind dams or in reservoirs; and
- c. On any Insured Location;

is released as the result of physical damage of the type insured against under this policy to such dam, reservoir or connected equipment, the Pool's liability due to inadequate water supply is limited to 30 consecutive days after the damaged dam, reservoir or connected equipment has been repaired or replaced.

This item does not apply to RENTAL INSURANCE.

- 6) For physically damaged exposed film, records, manuscripts and drawings, the time required to copy from backups or from originals of a previous generation. This time does not include research, engineering or any other time necessary to restore or recreate lost information.

This item does not apply to RENTAL INSURANCE.

- 7) For physically damaged or destroyed data, programs or other software stored on electronic, electro-mechanical, electro-magnetic data processing or production equipment, the time to recreate or restore including the time for researching or engineering lost information.

This item does not apply to RENTAL INSURANCE.

- 8) If an order of civil authority prohibits access to the Insured Location and provided such order is the direct result of physical damage of the type insured against under this Policy at the Insured Location or within 5 statute miles of it, the period of time:

- a. Starting at the time of physical damage; but

- b. Not to exceed 30 consecutive days.
- B. The PERIOD OF LIABILITY does not include any additional time due to the Member's inability to resume operations for any reason, including but not limited to:
  - 1) Making changes to equipment.
  - 2) Making changes to the buildings or structures except as provided in the DEMOLITION AND INCREASED COST OF CONSTRUCTION provision.
  - 3) Restaffing or retraining employees.

If two or more Periods of Liability apply such periods will not be cumulative.

## **5. TIME ELEMENT EXCLUSIONS**

In addition to exclusion elsewhere in this policy, the following exclusions apply to TIME ELEMENT loss:

This policy does not insure against:

- A. Any loss during any idle period, including but not limited to when production, operation, service or delivery or receipt of goods would cease, or would not have taken place or would have been prevented due to:
  - 1) Physical loss or damage not insured by this Policy on or off of the Insured Location.
  - 2) Planned or rescheduled shutdown.
  - 3) Strikes or other work stoppage.
  - 4) Any other reason other than physical loss or damage insured by this Policy.
- B. Any increase in loss due to:
  - 1) Suspension, cancellation or lapse of any lease, contract, license or orders; or
  - 2) Fines or damages for breach of contract or for late or noncompletion of orders; or
  - 3) For penalties of any nature; or
  - 4) Any other consequential or remote loss.
- C. Any loss resulting from loss or damage to finished goods manufactured by the Member, nor the time required for their reproduction.

## **LOSS ADJUSTMENT AND SETTLEMENT - SECTION D**

### **1. LOSS ADJUSTMENT/PAYABLE**

Loss, if any, will be adjusted with and payable to the Member. Additional insured interests will also be included in loss payment as their interests may appear when named as additional named insured, lender, mortgagee and/or loss payee in the Certificates of Insurance on file with the Pool or named below.

### **2. CURRENCY FOR LOSS PAYMENT**

Losses will be adjusted and paid in the currency of the United States of America.

### **3. VALUATION**

Adjustment of the physical damage loss amount under this Policy will be computed as of the date of loss at the location of the loss, and for no more than the interest of the Member, subject to the following:

- A. On stock in process, the value of raw materials and labor expended plus the proper proportion of overhead charges.
- B. On finished goods manufactured by the Member, the regular cash selling price at the Location where the loss happens, less all discounts and charges to which the finished goods would have been subject had no loss happened.
- C. On raw materials, supplies and other merchandise not manufactured by the Member:
  - 1) If repaired or replaced, the actual expenditure incurred in repairing or replacing the damaged or destroyed property; or
  - 2) If not repaired or replaced, the actual cash value
- D. On property covered under DEFERRED PAYMENTS, the lesser of the:
  - 1) Total amount of unpaid installments less finance charges;
  - 2) Actual cash value of the property at the time of loss; or
  - 3) Cost to repair or replace with material of like size, kind and quality.
- E. On FINE ARTS articles, the lesser of:
  - 1) The reasonable and necessary cost to repair or restore such property to the physical condition that existed on the date of loss;
  - 2) Cost to replace the article; or
  - 3) The value, if any, stated on a schedule on file with the Pool.

In the event a Fine Arts article is part of a pair or set, and a physically damaged article cannot be replaced, or repaired or restored to the condition that existed immediately prior to the loss, the Pool will be liable for the lesser of the full value of such pair or set or the amount designated on the schedule. The Member agrees to surrender the pair or set to the Pool.

F. On VALUABLE PAPERS AND RECORDS & EDP MEDIA:

On data, programs or software stored on electronic, electro-mechanical, or electro-magnetic data processing or production equipment:

- 1) The cost to repair, replace or restore data, programs or software including the costs to recreate, research and engineer;
- 2) If not repaired, replaced or restored within two years from the date of loss, the blank value of the media.

G. On all other VALUABLE PAPERS AND RECORDS & EDP MEDIA, the lesser of the following:

- 1) The cost to repair or restore, including the cost to recreate, research and engineer the item to the condition that existed immediately prior to the loss;
- 2) The cost to replace the item; or
- 3) The amount designated for the item on the Schedule on file with the Pool.

H. On Equipment and Vehicles:

- 1) The lesser of the Actual Cash Value at the time of loss or the cost to repair.
- 2) If not repaired or replaced, the actual cash value.

I. On property in transit:

- 1) Property shipped to or for the account of the Member will be valued at actual invoice to the Member. Included in the value are accrued costs and charges legally due. Charges may include the Member's commission as selling agent.
- 2) Property sold by the Member and shipped to or for the purchaser's account will be valued at the Member's selling invoice amount. Prepaid or advanced freight costs are included.
- 3) Property not under invoice will be valued:
  - a) For property of the Member, at the valuation provisions of this Policy applying at the location from which the property is being transported; or
  - b) For other property, at the actual cash market value at the destination point on the date of occurrence;

less any charges saved which would have become due and payable upon arrival at destination.

J. On all other property, the loss amount will not exceed the lesser of the following:

- 1) The cost to repair;
- 2) The cost to rebuild or replace on the same site with new materials of like size, kind and quality;

- 3) The cost in rebuilding, repairing or replacing on the same or another site, but not to exceed the size and operating capacity that existed on the date of loss;
- 4) The selling price of real property or machinery and equipment, other than stock, offered for sale on the date of loss;
- 5) The cost to replace unrepairable electrical or mechanical equipment, including computer equipment, with equipment that is the most functionally equivalent to that damaged or destroyed, even if such equipment has technological advantages and/or represents an improvement in function and/or forms part of a program of system enhancement.
- 6) The increased cost of demolition, if any, resulting from loss covered by this Policy, if such property is scheduled for demolition;
- 7) The unamortized value of improvements and betterments, if such property is not repaired or replaced at the Member's expense; or
- 8) The actual cash value if such property is:
  - a. Useless to the Member; or
  - b. Not repaired, replaced or rebuilt on the same or another site within two years from the date of loss.

The Member may elect not to repair or replace the insured real and/or personal property lost, damaged or destroyed. Loss settlement may be elected on the lesser of repair or replacement cost basis if the proceeds of such loss settlement are expended on other capital expenditures related to the Member's operations within two years from the date of loss. As a condition of collecting under this item, such expenditure must be unplanned as of the date of loss and be made at an Insured Location under this Policy. This item does not extend to DEMOLITION AND INCREASED COST OF CONSTRUCTION.

References and Application. The following term(s) wherever used in this Policy means:

Actual Cash Value:

The amount it would cost to repair or replace insured property, on the date of loss, with material of like kind and quality, with proper deduction for obsolescence and physical depreciation.

#### **4. LOSS CONDITIONS**

##### **A. REQUIREMENTS IN CASE OF LOSS**

The Member will:

- 1) Give written notice to the Pool as soon as practicable:
  - a. of any loss involving the perils of Flood, Earthquake and Named Storm;
  - b. of any loss with the potential of exceeding \$250,000 prior to the aggregate being exhausted;
  - c. of any loss with the potential of exceeding \$125,000 after the aggregate has been exhausted.
- 2) Protect the property from further loss or damage.



- 3) Promptly separate the damaged and undamaged property; put it in the best possible order; and furnish a complete inventory of the lost, destroyed, damaged and undamaged property showing in detail the quantities, costs, actual cash value, replacement value and amount of loss claimed.
- 4) Give a signed and sworn proof of loss to the Pool within 90 days after the loss, unless that time is extended in writing by the Pool. The proof of loss must state the knowledge and belief of the Member as to:
  - a. The time and origin of the loss;
  - b. The Member's interest and that of all others in the property;
  - c. The actual cash value and replacement value of each item and the amount of loss to each item; all encumbrances; and all other contracts of insurance, whether valid or not, covering any of the property;
  - d. Any changes in the title, use, occupation, location, possession or exposures of the property since the effective date of this Policy; and
  - e. By whom and for what purpose any location insured by this Policy was occupied on the date of loss, and whether or not it then stood on leased ground.
- 5) Include a copy of all the descriptions and schedules in all policies and, if required, provide verified plans and specifications of any buildings, fixtures, machinery or equipment destroyed or damaged.
- 6) Further, the Member will as often as may be reasonably required:
  - a. Exhibit to any person designated by the Pool all that remains of any property;
  - b. Submit to examinations under oath by any person designated by the Pool and sign the written records of examinations; and
  - c. Produce for examination at the request of the Pool:
    - i) All books of accounts, business records, bills, invoices and other vouchers; or
    - ii) Certified copies if originals are lost;

at such reasonable times and places that may be designated by the Pool or its representative and permit extracts and machine copies to be made.

#### **B. POOL OPTION**

The Pool has the option to take all or any part of damaged property at the agreed or appraised value. The Pool must give notice to the Member of its intention to do so within 30 days after receipt of proof of loss.

#### **C. ABANDONMENT**

There may be no abandonment of any property to the Pool.

#### **D. SUBROGATION**

The Member is required to cooperate in any subrogation proceedings. The Pool may require from the Member an assignment or other transfer of all rights of recovery against any party for loss to the extent of the Pool's payment.

The Pool will not acquire any rights of recovery that the Member has expressly waived prior to a loss in writing, nor will such waiver affect the Member's rights under this Policy.

Any recovery from subrogation proceedings, less costs incurred by the Pool in such proceedings, will be payable to the Member in the proportion that the amount of:

- 1) Any applicable deductible; and/or
- 2) Any provable uninsured loss;

bears to the entire provable loss amount.

#### **E. APPRAISAL**

If the Member and the Pool fail to agree on the amount of loss, each will, on the written demand of either, select a competent and disinterested appraiser after:

- 1) The Member has fully complied with all provisions of this Policy, including REQUIREMENTS IN CASE OF LOSS; and
- 2) The Pool has received a signed and sworn proof of loss from the Member.

Each will notify the other of the appraiser selected within 30 days of such demand.

The appraisers will first select a competent and disinterested umpire. If the appraisers fail to agree upon an umpire within 30 days then, on the request of the Member or the Pool, the umpire will be selected by a judge of a court of record in the jurisdiction in which the appraisal is pending. The appraisers will then appraise the amount of loss, stating separately the actual cash value and replacement cost value as of the date of loss and the amount of loss, for each item of physical loss or damage or if, for TIME ELEMENT loss, the amount of loss for each TIME ELEMENT coverage of this Policy.

If the appraisers fail to agree, they will submit their differences to the umpire. An award agreed to in writing by any two will determine the amount of loss.

The Member and the Pool will each:

- 1) Pay its chosen appraiser; and
- 2) Bear equally the other expenses of the appraisal and umpire.

A demand for APPRAISAL shall not relieve the Member of its continuing obligation to comply with the terms and conditions of this Policy, including as provided under REQUIREMENTS IN CASE OF LOSS.

The Pool will not be held to have waived any of its rights by any act relating to appraisal.

## **F. SUIT AGAINST THE POOL**

No suit, action or proceeding for the recovery of any claim will be sustained in any court of law or equity unless:

- 1) The Member has fully complied with all the provisions of this Policy; and
- 2) Legal action is started within 12 months after inception of the loss.

If under the insurance laws of the jurisdiction in which the property is located, such 12 months' limitation is invalid, then any such legal action needs to be started within the shortest limit of time permitted by such laws.

## **5. SETTLEMENT OF CLAIMS**

The amount of loss, except for ACCOUNTS RECEIVABLE coverage, for which the Pool may be liable will be paid within 30 days after:

- A. Proof of loss as described in this Policy is received by the Pool; and
- B. When a resolution of the amount of loss is made either by:
  - 1) Written agreement between the Member and the Pool; or
  - 2) The filing with the Pool of an award as provided in the APPRAISAL provisions of this Section.

## **6. COLLECTION FROM OTHERS**

The Pool will not be liable for any loss to the extent that the Member has collected such loss from others.

## **7. PARTIAL PAYMENT OF LOSS SETTLEMENT**

In the event of a loss occurring which has been ascertained to be insured loss or damage under this Policy and determined by the Pool's representatives to be in excess of the applicable Policy deductible, the Pool will advance mutually agreed upon partial payment(s) on the insured loss or damage, subject to the Policy's provisions. To obtain said partial payments, the Member will submit a signed and sworn Proof of Loss as described in this Policy, with adequate supporting documentation.

## **8. JURISDICTION**

This Policy will be governed by United States of America Law. Any disputes arising hereunder will be exclusively subject to United States of America jurisdiction.

## **GENERAL PROVISIONS - SECTION E**

### **1. INSPECTIONS**

The Pool, at all reasonable times, will be permitted, but will not have the duty, to inspect insured property.

The Pool's:

- A. Right to make inspections;
- B. Making of inspections; or
- C. Analysis, advice or inspection report;

will not constitute an undertaking, on behalf of or for the benefit of the Member or others, to determine or warrant that the insured property is safe or healthful. This Pool will have no liability to the Member or any other person because of any inspection or failure to inspect.

When the Pool is not providing jurisdictional inspections, the Owner/Operator has the responsibility to assure that jurisdictional inspections are performed as required, and to assure that required jurisdictional Operating Certificates are current for their pressure equipment.

### **2. LIBERALIZATION**

If during the period that insurance is in force under this Policy, any filed rules or regulations affecting the same are revised by statute so as to broaden the insurance without additional premium charge, such extended or broadened insurance will inure to the benefit of the Member within such jurisdiction, effective the date of the change specified in such statute.

### **3. MISREPRESENTATION AND FRAUD**

This Policy will be void in entirety if, whether before or after a loss, a Member has:

- A. Willfully concealed or misrepresented any material fact or circumstance concerning this insurance, the subject thereof, any insurance claim, or the interest of a Member;
- B. Made any attempt to defraud the Pool; or
- C. Made any false swearing.

### **4. LENDERS LOSS PAYEE AND MORTGAGEE INTERESTS AND OBLIGATIONS**

- A. The Pool will pay for loss to specified property insured under this Policy to each specified Lender Loss Payee (hereinafter referred to as Lender) as its interest may appear, and to each specified Mortgagee as its interest may appear, under all present or future mortgages upon such property, in order of precedence of the mortgages.
- B. The interest of the Lender or Mortgagee (as the case may be) in property insured under this Policy will not be invalidated by:
  - 1) Any act or neglect of the debtor, mortgagor, or owner (as the case may be) of the property.

- 2) Foreclosure, notice of sale, or similar proceedings with respect to the property.
- 3) Change in the title or ownership of the property.
- 4) Change to a more hazardous occupancy.

The Lender or Mortgagee will notify the Pool of any known change in ownership, occupancy, or hazard and, within 10 days of written request by the Pool, may pay the increased premium associated with such known change. If the Lender or Mortgagee fails to pay the increased premium, all coverage under this Policy will cease.

- C. If this Policy is cancelled at the request of the Member or its agent, the coverage for the interest of the Lender or Mortgagee will terminate 10 days after the Pool sends to the Lender or Mortgagee written notice of cancellation, unless:
  - 1) Sooner terminated by authorization, consent, approval, acceptance, or ratification of the Member's action by the Lender or Mortgagee, or its agent.
  - 2) This Policy is replaced by the Member, with a policy providing coverage for the interest of the Lender or Mortgagee, in which event coverage under this Policy with respect to such interest will terminate as of the effective date of the replacement policy, notwithstanding any other provision of this Policy.
- D. The Pool may cancel this Policy and/or the interest of the Lender or Mortgagee under this Policy, by giving the Lender or Mortgagee written notice 90 days prior to the effective date of cancellation, if cancellation is for any reason other than non-payment. If the debtor, mortgagor, or owner has failed to pay any premium due under this Policy, the Pool may cancel this Policy for such non-payment, but will give the Lender or Mortgagee written notice 10 days prior to the effective date of cancellation. If the Lender or Mortgagee fails to pay the premium due by the specified cancellation date, all coverage under this Policy will cease.
- E. The Pool has the right to invoke this Policy's SUSPENSION clause. The suspension of insurance will apply to the interest of the Lender or Mortgagee in any machine, vessel, or part of any machine or vessel, subject to the suspension. The Pool will provide the Lender or Mortgagee at the last known address a copy of the suspension notice.
- F. If the Pool pays the Lender or Mortgagee for any loss, and denies payment to the debtor, mortgagor or owner, the Pool will, to the extent of the payment made to the Lender or Mortgagee be subrogated to the rights of the Lender or Mortgagee under all securities held as collateral to the debt or mortgage. No subrogation will impair the right of the Lender or Mortgagee to sue or recover the full amount of its claim. At its option, the Pool may pay to the Lender or Mortgagee the whole principal due on the debt or mortgage plus any accrued interest. In this event, all rights and securities will be assigned and transferred from the Lender or Mortgagee to the Pool, and the remaining debt or mortgage will be paid to the Pool.
- G. If the Member fails to render proof of loss, the Lender or Mortgagee, upon notice of the Member's failure to do so, will render proof of loss within 60 days of notice and will be subject to the provisions of this Policy relating to APPRAISAL, SETTLEMENT OF CLAIMS, and SUIT AGAINST THE POOL.
- H. Other provisions relating to the interests and obligations of the Lender or Mortgagee may be added to this Policy by agreement in writing.

## 5. OTHER INSURANCE



- A. If there is any other insurance that would apply in the absence of this Policy, this Policy will apply only after such insurance whether collectible or not. However, such insurance is allowed to act as a deductible buyback including NFIP coverage for Flood.
- B. The Member is permitted to have other insurance over any limits or sublimits of liability specified elsewhere in this Policy without prejudice to this Policy. The existence of any such insurance will not reduce any limit or sublimit of liability in this Policy. Any other insurance that would have provided primary coverage in the absence of this Policy will not be considered excess.
- C. The Member is permitted to have other insurance for all, or any part, of any deductible in this Policy. The existence of such other insurance will not prejudice recovery under this Policy. If the limits of liability of such other insurance are greater than this Policy's applicable deductible, this Policy's insurance will apply only after such other insurance has been exhausted.
- D. In the event this Policy is deemed to contribute with other insurance, the limit of liability applicable at each Location, for purposes of such contribution with other insurers, will be the latest amount described in this Policy or the latest Location value on file with the Pool.
- E. When this Policy includes property in more than one jurisdiction, separate policies underlying this Policy may be issued by the Pool in compliance with jurisdictional requirements. Such underlying policies will not be considered as additional insurance, but as duplicate insurance only.

## **6. POLICY MODIFICATION**

This Policy contains all of the agreements between the Member and the Pool concerning this insurance. The Member and the Pool may request changes to this Policy. This Policy can be changed only by endorsements issued by the Pool and made a part of this Policy.

Notice to any agent or knowledge possessed by any agent or by any other person will not:

- A. Create a waiver, or change any part of this Policy; or
- B. Prevent the Pool from asserting any rights under the provisions of this Policy.

## **7. REDUCTION BY LOSS**

Claims paid under this Policy will not reduce its limit of liability, except claims paid will reduce any Policy Year Aggregate Limit of Liability.

## **8. SUSPENSION**

On discovery of a dangerous condition, the Pool may immediately suspend this insurance on any machine, vessel or part thereof by giving written notice to the Member. The suspended insurance may be reinstated by the Pool. Any unearned premium resulting from such suspension will be returned by the Pool.

## **9. TITLES**

The titles in this Policy are only for reference. The titles do not in any way affect the provisions of this Policy.

## **POLICY CHANGE ENDORSEMENT** **Equipment Breakdown – 4 Pages**

When an applicable limit for Equipment Breakdown is shown in Section A; Item 8. Limits of Liability; this endorsement's intention is to clarify that the peril of "Breakdown" is included for "Covered Equipment".

1. "Breakdown" shall be considered a covered peril on "Covered Equipment".
2. "Covered Equipment":
  - A. Covered Equipment means and includes any:
    - 1) Equipment built to operate under internal pressure or vacuum other than weight of contents;
    - 2) Electrical or mechanical equipment that is used in the generation, transmission or utilization of energy; and
    - 3) Communication equipment, and computer equipment.
  - B. Covered Equipment does not mean or include any:
    - 1) "Media";
    - 2) Part of pressure or vacuum equipment that is not under internal pressure of its contents or internal vacuum;
    - 3) Insulating or refractory material, but not excluding the glass lining of any Covered Equipment;
    - 4) Non-metallic pressure or vacuum equipment, unless it is constructed and used in accordance with the American Society of Mechanical Engineers (A.S.M.E.) code or another appropriate and approved code;
    - 5) Catalyst;
    - 6) Vessels, piping and other equipment that is buried below ground and requires the excavation of materials to inspect, remove, repair or replace;
    - 7) Structure, foundation, cabinet or compartment supporting or containing the Covered Equipment or part of the Covered Equipment including penstock, draft tube or well casing;
    - 8) Vehicle, aircraft, self-propelled equipment or floating vessel including any Covered Equipment that is mounted upon or used solely with anyone or more vehicle(s), aircraft, self-propelled equipment or floating vessel;
    - 9) Dragline, excavation, or construction equipment including any Covered Equipment that is mounted upon or used solely with any one or more dragline(s), excavation, or construction equipment;
    - 10) Felt, wire screen, die, extrusion plate, swing hammer, grinding disc, cutting blade, non-electrical cable, chain, belt, rope, clutch plate, brake pad, non-metal part or any part or tool subject to periodic replacement; or
    - 11) Equipment or any part of such equipment manufactured by the Member for sale.
3. "Breakdown"
  - A. Breakdown means the direct physical loss resulting from one or more of the following items that causes damage to Covered Equipment and necessitates its repair or replacement:
    - 1) Failure of pressure or vacuum equipment;
    - 2) Mechanical failure including rupture or bursting caused by centrifugal force;
    - 3) Electrical failure including arcing;
    - 4) Explosion of steam boilers, steam piping, steam engines or steam turbines owned or leased by you, or operated under your control;
    - 5) Loss or damage to steam boilers, steam pipes, steam engines or steam turbines caused by or resulting from any condition or event inside such equipment; or
    - 6) Loss or damage to hot water boilers or other water heating equipment caused by or resulting from any condition or event inside such boilers or equipment.

Unless such loss or damage is otherwise excluded within the policy form.

- B. Breakdown does not mean or include:
  - 1) Malfunction including but not limited to adjustment, alignment, calibration, cleaning or modification;

- 2) Defects, erasures, errors, limitations or viruses in computer equipment and programs including the inability to recognize and process any date or time or provide instructions to Covered Equipment;
- 3) Leakage at any valve, fitting, shaft seal, gland packing, joint or connection;
- 4) Damage to any vacuum tube, gas tube, or brush;
- 5) Damage to any structure or foundation supporting the Covered Equipment or any of its parts;
- 6) The functioning of any safety or protective device; or
- 7) The cracking of any part on an internal combustion gas turbine exposed to the products of combustion.

4. Limit of Liability:

The most the Pool will pay for any and all coverages for loss or damage from any "One Breakdown" is the applicable Limit of Insurance shown for Equipment Breakdown in Section 1, Item 8.; Limits of Liability.

5. Equipment Breakdown Coverage Extensions:

Unless a higher limit or INCLUDED is shown in Section 1, Item 8., Limits of Liability, the most the Pool will pay for direct damage as a direct result of a Breakdown to Covered Equipment is \$25,000 for each of the following. The limits for coverage extensions are part of, not in addition to, the Limit of Liability for Equipment Breakdown shown in the sublimits.

A. Spoilage:

- 1) The Pool will pay for the spoilage damage to raw materials, property in process or finished products, provided all of the following conditions are met:
  - a) The raw materials, property in process or finished products must be in storage or in the course of being manufactured;
  - b) The Member must own or be legally liable under written contract for the raw materials, property in process or finished products; and
  - c) The spoilage damage must be due to the lack or excess of power, light, heat, steam or refrigeration.
- 2) The Pool will also pay any necessary expenses the Member incurs to reduce the amount of loss under this coverage. The Pool will pay such expenses to the extent that they do not exceed the amount of loss that otherwise would have been payable under this coverage form.

B. Service Interruption:

The Pool will pay for loss resulting from the interruption of utility services provided all of the following conditions are met:

- 1) The interruption is the direct result of a "Breakdown" to "Covered Equipment" owned, operated or controlled by the local private or public utility or distributor that directly generates, transmits, distributes or provides utility services which the Member receives;
- 2) The "Covered Equipment" is used to supply electric power, communication services, air conditioning, heating, gas, sewer, water or steam to the Member's premises; and
- 3) The interruption of utility service to the Member's premises lasts at least the consecutive period of time shown in item 11. Waiting Period. Once this waiting period is met, coverage will commence at the initial time of the interruption and will be subject to all applicable deductibles.

C. Business Income:

- 1) The Pool will pay the Member's actual loss of "business income" that results directly from the necessary total or partial interruption of the Member's business caused by a "Breakdown".
- 2) The Pool will also pay any necessary expenses the Member incurs to reduce the amount of loss under this coverage. The Pool will pay for such expenses to the extent that they do not exceed the amount of loss that otherwise would have been payable under this coverage.
- 3) The Pool will consider the actual experience of the Member's business before the "accident" and the probable experience the Member would have had without the "accident" in determining the amount of its payment.
- 4) This coverage continues until the date the damaged property is repaired or replaced.

D. Expediting Costs:

The Pool will pay the reasonable and necessary costs incurred to pay for the temporary repair of insured damage to covered property and to expedite the permanent repair or replacement of such damaged property caused by a "Breakdown".

This coverage extension does not cover costs:

- 1) Recoverable elsewhere in this Policy; or
- 2) Of permanent repair or replacement of damaged property.

E. Hazardous Substance:

The Pool will pay any additional expenses incurred by the Member for the clean-up, repair or replacement or disposal of Covered Property that is damaged, contaminated or polluted by a Hazardous Substance caused by a "Breakdown".

As used here, additional expenses mean the additional cost incurred over and above the amount that the Pool would have paid had no Hazardous Substance been involved with the loss.

F. Ammonia Contamination:

The Pool will pay the spoilage to covered property contaminated by ammonia, including any salvage expense caused by a "Breakdown".

G. Water Damage:

The Pool will pay for the damage to covered property by water including any salvage expenses caused by a "Breakdown", except no coverage applies to such damage resulting from leakage of a sprinkler system or domestic water piping.

H. Consequential Loss:

The Pool will pay the reduction in the value of undamaged "stock" parts of a product which becomes unmarketable. The reduction in value must be caused by a physical loss or damage to another part of the product.

I. Data & Media:

The Pool will pay the Member's cost to research, replace or restore damaged Data or Media including the cost to reprogram instructions used in any computer equipment if the loss is caused by a "Breakdown".

J. CFC Refrigerants:

The Pool will pay for the additional cost to repair or replace Covered Property because of the use or presence of a refrigerant containing CFC (chlorinated fluorocarbon) substances if the loss is caused by a "Breakdown". This means the additional expense to do the least expensive of the following:

- 1) Repair the damaged property and replace any lost CFC refrigerant;
- 2) Repair the damaged property, retrofit the system to accept a non-CFC refrigerant and charge the system with a non-CFC refrigerant; or
- 3) Replace the system with one using a non-CFC refrigerant.

K. Computer Equipment:

The Pool will pay for direct damage to "computer equipment" that is damaged by a "Breakdown" to such equipment

6. Definitions relating only to this endorsement:

A. Data means

- 1) Programmed and recorded material stored on "Media"; and
- 2) Programming records used for electronic data processing, or electronically controlled equipment.

B. Hazardous Substance means any substance other than ammonia that has been declared to be hazardous to health by a government agency.

Ammonia is not considered to be a "Hazardous Substance" as respects this limitation.

C. Media means all forms of electronic, magnetic and optical tapes and discs for use in any electronic computer or electronic data processing equipment.

D. One Breakdown means if an initial Breakdown causes other Breakdowns, all will be considered One Breakdown. All Breakdowns at any one premises that manifest themselves at the same time and are the direct result of the same cause will be considered One Breakdown.

E. Computer Equipment means covered property that is electronic computer or other electronic data processing equipment, including "media" and peripherals used in conjunction with such equipment.

F. Stock means merchandise held in storage or for sale, raw materials, property in process or finished products including supplies used in their packing or shipping.



## **POLICY CHANGE ENDORSEMENT**

### **Mold / Fungus – 1 Page**

It is hereby understood and agreed that the following change is made to this policy:

In consideration of the premium charged, it is hereby understood and agreed that this policy is amended as follows.

The Pool shall not be liable for any loss or damage in the form of, caused by, arising out of, contributed to, or resulting from fungus, mold(s), mildew or yeast; or any spores or toxins created or produced by or emanating from such fungus, mold(s), mildew or yeast;

- (a) fungus includes, but is not limited to, any of the plants or organisms belonging to the major group fungi, lacking chlorophyll, and including mold(s), rusts, mildews, smuts and mushrooms;
- (b) mold(s) includes, but is not limited to, any superficial growth produced on damp or decaying organic matter or on living organisms, and fungi that produce mold(s);
- (c) spores means any dormant or reproductive body produced by or arising or emanating out of any fungus, mold(s), mildew, plants, organisms or microorganisms,

regardless of any other cause or event that contributes concurrently or in any sequence to such loss.

This exclusion shall not apply to any loss or damage in the form of, caused by, contributed to or resulting from fungus, mold(s), mildew or yeast, or any spores or toxins created or produced by or emanating from such fungus, mold(s), mildew or yeast which the Member establishes is a direct result of a Flood, Earthquake, Fire, Windstorm, Wind Driven Water, Lightning, Explosion, or Hail, provided that such fungus, mold(s), mildew or yeast loss or damage is reported to the Pool within twelve months from the date of the loss.

A **\$25,000,000** per occurrence and annual aggregate limit of liability applies to coverage provided by this endorsement.

**POLICY CHANGE ENDORSEMENT**  
**Occurrence Limit of Liability – 1 Page**

It is hereby understood and agreed that the following change is made to this policy:

It is understood and agreed that the following special terms and conditions apply to this policy:

1. The limit of liability or Amount of Insurance shown on the face of this policy, or endorsed onto this policy, is the total limit of the Pool's liability applicable to each occurrence, as hereafter defined. Notwithstanding any other terms and conditions of this policy to the contrary, in no event shall the liability of the Pool exceed this limit or amount irrespective of the number of locations involved. The term "occurrence" shall mean any one loss, disaster, casualty or series of losses, disasters, or casualties, arising out of one event. When the term applies to loss or losses from the perils of tornado, cyclone, hurricane, windstorm, hail, volcanic eruption, riot, riot attending a strike, civil commotion, and vandalism and malicious mischief one event shall be construed to be all losses arising during a continuous period of 72 hours. When filing proof of loss, the Member may elect the moment at which the 72 hour period shall be deemed to have commenced, which shall not be earlier than the first loss to the covered property occurs.
2. The premium for this policy is based upon the Statement of Values on file with the Pool, or attached to this policy. In the event of loss hereunder, liability of the Pool, subject to the terms of paragraph one (1) above, shall be limited to the least of the following:
  - a) The actual adjusted amount of loss, less applicable deductible(s).
  - b) The Limit of Liability or Amount of Insurance shown on the face of this policy or endorsed onto this policy.

**POLICY CHANGE ENDORSEMENT**  
**Asbestos Exclusion – 1 Page**

It is hereby understood and agreed that the following change is made to this policy:

This policy excludes:

1. Asbestos material defects, treatment, abatements or removal, unless the asbestos itself is damaged by an insured peril and then only as to the physical portion of asbestos material damaged by that peril;
2. Regardless of cause, any sum relating to (i) health hazard from asbestos; (ii) treatment, abatement or repair of asbestos material that has become friable; or (iii) demolition, increased cost of reconstruction, removal or any type of cost or loss arising from the enforcement of or compliance with any law or ordinance regulating asbestos material; or
3. Any governmental requirement relating to asbestos material present in or part of any portion of Insured Property that was not damaged by an insured peril during the Policy Term and cannot any longer be used where installed.

## **POLICY CHANGE ENDORSEMENT**

### **Electronic Data Exclusion – 1 Page**

#### **1. Electronic Data Exclusion**

Notwithstanding any provision to the contrary within the Policy or any endorsement thereto, it is understood and agreed as follows:

- (a) This Policy does not insure loss, damage, destruction, distortion, erasure, corruption or alteration of ELECTRONIC DATA from any cause whatsoever (including but not limited to COMPUTER VIRUS) or loss of use, reduction in functionality, cost, expense of whatsoever nature resulting therefrom, regardless of any other cause or event contributing concurrently or in any other sequence to the loss.

ELECTRONIC DATA means facts, concepts and information converted to a form useable for communications, interpretation or processing by electronic and electromechanical data processing or electronically controlled equipment and includes programmes, software and other coded instructions for the processing and manipulation of data or the direction and manipulation of such equipment.

COMPUTER VIRUS means a set of corrupting, harmful or otherwise unauthorised instructions or code including a set of maliciously introduced unauthorised instructions or code, programmatic or otherwise, that propagate themselves through a computer system or network of whatsoever nature. COMPUTER VIRUS includes but is not limited to 'Trojan Horses', 'worms' and 'time or logic bombs'.

- (b) However, in the event that a peril listed below results from any of the matters described in paragraph (a) above, this Policy, subject to all its terms, conditions and exclusions, will cover physical damage occurring during the Policy period to property insured by this Policy directly caused by such listed peril.

Listed Perils

Fire

Explosion

#### **2. Electronic Data Processing Media Valuation**

Notwithstanding any provision to the contrary within the Policy or any endorsement thereto, it is understood and agreed as follows:

Should electronic data processing media insured by this Policy suffer physical loss or damage insured by this Policy, then the basis of valuation shall be the cost to repair, replace or restore such media to the condition that existed immediately prior to such loss or damage, including the cost of reproducing any ELECTRONIC DATA contained thereon, providing such media is repaired, replaced or restored. Such cost of reproduction shall include all reasonable and necessary amounts, not to exceed \$10,000,000 any one loss, incurred by the Assured in recreating, gathering and assembling such ELECTRONIC DATA. If the media is not repaired, replaced or restored the basis of valuation shall be the cost of the blank media. However this Policy does not insure any amount pertaining to the value of such ELECTRONIC DATA to the Assured or any other party, even if such ELECTRONIC DATA cannot be recreated, gathered or assembled.

## POLICY CHANGE ENDORSEMENT

### Time or Date Recognition – 2 Pages

It is hereby understood and agreed that the following change is made to this policy:

1. We will not pay, under any form, coverage, or endorsement of this policy, for loss caused directly or indirectly by:

A. The failure of any of the following, whether owned by you or others:

- (1) **Data processing equipment, software, data, or media;**
- (2) Hardware or **software** based computer operating systems;
- (3) Microprocessors;
- (4) Integrated circuits; or,
- (5) Any other electronic equipment, computerized equipment, or similar devices;

due to the inability of these items to correctly recognize, process, or accept one or more dates or times as their true calendar date or time.

B. Loss resulting from:

- (1) Any services, functions, or products that use one or more of the systems or devices described in item **1.A.**
- (2) Any advice, design, inspection, installation, repair or maintenance done by you or for you to determine or correct any problems described in item **1.A.**

These losses are excluded regardless of any other cause or event, including a **peril insured against**, that contributes to the loss at the same time or in any sequence.

2. If loss to covered property by a **specified peril** ensues, we will pay for that loss.
3. We will not pay for modification, repair or replacement of systems or devices described in item **1.A.** in order to correct any potential or actual deficiencies.
4. Terms in bold faced type have special meanings in this endorsement. They are defined below.
  - A. **Data** means any information recorded on **media** and used in your processing operations, but does not mean **software**.
  - B. **Data processing equipment** means processing units, terminals, tape drives, disk drives, controllers, printers, and other equipment capable of receiving, processing, storing or retrieving information. It does not include **media, software, or data**.
  - C. **Media** means the material on which **data** or **software** is recorded, such as magnetic tape, perforated paper tape, punch cards, discs, drums, and other storage devices used in your **data** processing operations.



**D. Peril(s) insured against** means possible causes of loss for which this policy provides coverage.

**E. Software** means programs stored on **media** which instruct **data processing equipment** how to process **data**.

**F. Specified perils** means any of the following:

Fire;

Lightning;

Aircraft;

Explosion;

Riot;

Civil commotion;

Smoke;

Vehicles;

Windstorm or hail to property contained in any building;

Malicious mischief;

Leakage or accidental discharge from automatic fire protection system; or,

Collapse.

## POLICY CHANGE ENDORSEMENT

### Chemical, Biological & Radiological Exposures Exclusion – 1 Page

It is hereby understood and agreed that the following change is made to this policy:

- A. This policy does not insure against any loss, damage, cost or expense caused by or resulting from any of the following, regardless of any other cause or event contributing concurrently or in any other sequence thereto:
  - (1) The unlawful possession, use, release, discharge, dispersal or disposal of any **chemical, bacteriological, viral, radioactive or similar agents or matter** regardless of who is responsible for the act and whether war has been declared or not, and regardless of any other cause or event contributing concurrently or in any other sequence thereto.
  - (2) The unlawful possession, use, release, discharge, detonation, dispersal or disposal of any device or material capable of producing a **nuclear reaction or the spread of radioactivity**, regardless of who is responsible for the act and whether war has been declared or not, and regardless of any other cause or event contributing concurrently or in any other sequence thereto.
- B. In any action, suit or other proceeding where the Pool alleges that, by reason of either of the provisions above, some or all loss or damage is not insured by this policy, the burden of proving that such loss or damage is not excluded shall be upon the Member.

## **AGENDA ITEM SUMMARY**

### ***Item Description***

Approve Request for Proposals for Property Appraisal Services

### ***Background, Discussion***

As discussed at the last Board of Trustees meeting, staff has prepared an RFP for property appraisal services. The proposed schedule is to conduct on-site appraisals for each member at four year intervals.

Staff proposes to solicit proposals from the list of vendors in the AGRIP SourceBook, the PRIMA vendor list, and any Utah-based vendors.

### ***Recommendation***

Staff recommends approval of the RFP.



REQUEST  
FOR  
PROPOSALS:  
  
PROPERTY  
APPRAISAL SERVICES

Submittal Deadline:  
December 3, 2007

Prepared by:

Utah Counties Insurance Pool  
PO Box 760  
Midvale, UT 84047  
Telephone 801-565-8500  
Fax 801-568-0495  
[www.ucip.utah.gov](http://www.ucip.utah.gov)

## Section I. Overview

### A. Background

Utah Counties Insurance Pool (the "Pool" hereinafter) is a risk-sharing property and casualty pool organized under the Utah Interlocal Cooperation Act and is made up of 27 of the 29 counties in Utah. The Pool is considering use of an appraisal service to provide supportable estimates of the replacement cost of insured structures and contents.

The purpose of the Request for Proposals is to select a qualified professional firm. The Pool's intent is to develop a partnership with the selected vendor. The Pool consists of 27 counties and 8 health departments. Appraisals would be scheduled to appraise each participant on-site once over a four year cycle. The total number of insured buildings is 1,428 , with an estimated real property value of \$1,034,556,064 and personal of \$153,752,619, as of October 1, 2007.

### B. Proposal Specifications

UCIP requires a property appraisal service proposal to meet the following criteria:

1. History and organization of the appraisal firm that would indicate the assigned staff that are members of the American Society of Appraisers.
2. References from three (3) risk pool clients who have engaged your services for similar, multiple year appraisal projects. Only include references for work that your appraiser did while specifically employed by the proposing firm.
3. Proposed scope of work.
4. Schedule for implementing the proposed scope of work.
5. Appraisal fees and costs for each year of the four year term of this engagement. You may quote on a per building or flat fee basis.
6. Fees or charges for services and/or optional services such as annual updating and loss control inspections that were not contemplated in the proposed scope.
7. A sample appraisal report from a recently completed project.
8. Your firm's cyclical approach to valuing an entity with multiple properties.
9. An outline of your firm's management review process and assurance in providing accurate and consistent valuation conclusions.
10. Ability to provide reports directly to Pool Members.



### C. Scope of Services

Purpose: The purpose of this engagement is to define accurate, insurable values that will minimize the risk of not insuring to value, provide required rating information to the Pool's reinsurers and implement an equitable means of allocating premiums. The service will include all insured buildings and contents. The appraisal will exclude land, land improvements, licensed vehicles and fine arts,

Buildings: The selected firm will perform a component-based building appraisal with measurements, descriptions, and photos of buildings and structures. The appraisal will include such detail as to create and support future re-valuation and proof-of-loss reports. Construction data to be recorded will include types of construction materials, dimensions, appurtenances, condition, major components, occupancy or use, and ISO construction classification.

Contents: contents for each appraised building shall be valued on a modeled approach by building usage and square footage.

Basis of Valuation: For each building and structure, the appraiser will establish a value and describe the valuation methodology for:

**Cost of Reproduction New (CRN)**, defined as the amount required to reproduce a duplicate or a replica of the entire property at one time in like kind and materials in accordance with current market prices for materials, labor and manufactured equipment, contractors' overhead and profit, and fees. This would not include provision for overtime, bonuses for labor, or premiums for material or equipment. Cost of Reproduction New is synonymous to the insurance industry term "Replacement Cost."

## **Section II. Deliverables**

Reports will be furnished on a CD in a PDF format. Reports must be furnished to the Pool in a mutually agreed upon electronic format. The reports shall consist of:

1. *Master Summary Report* with each member listed
2. *Insurance Summary Report* with each building listed by site with the respective building and content values reported with subtotals for each site
3. *Insurance Detail Report* for each building including:
  - a. Property address
  - b. GPS coordinates
  - c. Occupancy or use
  - d. Type of construction material
  - e. Square footage
  - f. Number of floors
  - g. Year built (actual or estimated)
  - h. Construction classification
  - i. Fire protection systems
  - j. Description of major components
  - k. Building value
  - l. Content value
  - m. Digital photograph
4. Master file in Excel format.

## **Section III. Calendar of Events**

Listed below are important dates by which action must be taken or completed.

Action	Date (approximately)
Issue RFP	10-22-07
Proposals due	12-03-07
Award of Contract	12-13-07
Implementation	04-01-08

## **Section IV. Basis for Award**

A. Criteria for the evaluation of proposals will include, but will not be limited to:

1. Determination of acceptability of technical requirements (which includes staff and support) 30%
2. Determination of acceptability of costs 30%
3. Determination of acceptability of experience and references 30%
4. Determination of compliance to the Request for Proposal requirements 10%

### B. Reservations

UCIP reserves the right to:

1. Select the best qualified vendor that meets the desired criteria based upon the above-explained criteria and not solely as a cost factor.
2. Reject any and all proposals received.
3. Waive or modify minor irregularities in proposals received.
4. Adjust suppliers expected cost basis on the determination by UCIP that the selection of said supplier will incur additional expenses by UCIP.
5. Begin contract negotiations with the next-highest ranked qualified bidder should UCIP be unsuccessful in negotiating a contract with the successful bidder within a time frame acceptable to UCIP.

### C. Insurance Requirements

The Vendor shall indemnify and save harmless the Utah Counties Insurance Pool and its representatives from and against all losses and claims, demands, suits, actions, payments and judgments arising from personal injury or otherwise, brought or recovered against UCIP or its representatives by reason of any act or omission of the Vendor, its agents, servants or employees, in the execution of the contracted work, including any and all expense, legal and otherwise, incurred by UCIP or its representatives in the defense of any claim or suit.

- 1.1 Unless otherwise indicated in this Request for Proposals, the vendor shall maintain in force at all times while performing the scope of work insurance coverage, which meets as a minimum, the following requirements:

#### 1.1.1 WORKER'S COMPENSATION INSURANCE AND EMPLOYER'S LIABILITY INSURANCE

Workers' Compensation Insurance coverage for all of the offeror's employees performing the Scope of Services under this proposal. Coverage will provide for at least statutory limits with an insurance company authorized to write such insurance and in all states where the offeror's employees will work on this proposal .

#### 1.1.2 COMMERCIAL GENERAL LIABILITY INSURANCE

Commercial General Liability Insurance as shall protect the Vendor against claims for damages resulting from bodily injury, including wrongful death, and property damage (including broad form property endorsement), which may arise from operations under this contract whether such operations be by the Vendor or by any Subcontractor or anyone directly or indirectly employed by either the Vendor or Subcontractor. The minimum acceptable limits of liability to be provided by such General Liability Insurance shall be \$1 million Combined Single Limits.

#### 1.1.3 PROFESSIONAL LIABILITY INSURANCE

Professional Liability Insurance with limits of no less than \$1,000,000.00. Coverage will include protection for license and trademark infringements. If such coverage is on a claims-made basis, the Proposer must agree to maintain coverage for three years after conclusion of all services performed under this agreement through an extended discovery period.

### 1.2 INSTRUCTIONS

The Vendor shall not commence work under this proposal until he has obtained all insurance required under this Section and such insurance has been approved by the CEO of UCIP, nor shall the Vendor allow any Subcontractor to commence work on the subcontract until all similar insurance required of the Subcontractor has been so obtained and approved. UCIP will be named on all liability policies and as "Additional Named Insured" for the proposed work.

DISPOSITION OF PROPOSALS

All materials submitted in response to this RFP will become the property of UCIP.

ADMINISTRATIVE GUIDELINES

DELIVERY INSTRUCTIONS

Deliver two copies of your proposal to:

Chief Executive Officer  
Utah Counties Insurance Pool  
PO Box 760  
Midvale, UT 84047

OFFEROR RESPONSIBILITIES:

Offerors may propose additions, deletions, or modifications to the services requested but must clearly cite these exceptions in their proposal. Otherwise, proposals must meet all of the requirements of this request. Offeror is being provided a copy of all UCIP covered properties as a part of this proposal.

LAWS AND REGULATIONS:

The procurement shall be governed by the laws of the State of Utah. Venue shall be in Salt Lake County, Utah.

ANTI-COLLUSION STATEMENT:

Collusion or restraint of free competition, direct or indirect, is prohibited. Offerors are required to execute and submit the anti-collusion statement in Attachment 1.

ATTACHMENT 1  
ANTI-COLLUSION STATEMENT

TO ALL OFFERORS:

RETURN WITH PROPOSAL DOCUMENTS

In the preparation and submission of this proposal on behalf \_\_\_\_\_ (name of vendor), said vendor did not either directly or indirectly enter into any combination or arrangement with any person, firm or corporation, or enter into any agreement, participate in any collusion, or otherwise take any action in the restraint of free competition in violation of any Federal or State Law.

The undersigned vendor hereby certifies that this agreement, or any claims resulting therefrom, is not the result of, or affected by, any act of collusion with, or any act of, another person or persons, firm or corporation engaged in the same line of business or commerce; and, that no person acting for, or employed by Utah Counties Insurance Pool has an interest in, or is concerned with, this proposal; and, that no person or persons, firm or corporation, other than the undersigned, have or are interested in this proposal.

\_\_\_\_\_  
COMPANY

\_\_\_\_\_  
BY

\_\_\_\_\_  
TITLE

\_\_\_\_\_  
BUSINESS ADDRESS

\_\_\_\_\_  
DATE



**Multiline Budget****UTAH COUNTIES INSURANCE POOL**

	2007	TENTATIVE 2008
<b>REVENUE</b>		
Premiums Written	4,656,499	5,098,011
Risk Management Program Credit	-160,000	-180,000
Investment Income	510,000	510,000
<b>TOTAL REVENUE</b>	<b>5,006,499</b>	<b>5,428,011</b>
<b>LOSSES AND LOSS EXPENSES</b>		
Prior Year Losses	2,024,221	2,231,400
Current Year Losses	800,000	917,846
Reinsurance	1,069,153	1,153,699
<b>TOTAL LOSS EXPENSES</b>	<b>3,893,374</b>	<b>4,302,945</b>
<b>ADMINISTRATION EXPENSES</b>		
Accounting	10,000	10,000
Actuarial Analysis	8,500	8,500
Capitalization Costs - CRL	0	0
<b>TOTAL ADMINISTRATION</b>	<b>18,500</b>	<b>18,500</b>
<b>TOTAL LOSSES AND EXPENSES</b>	<b>3,911,874</b>	<b>4,321,445</b>
<b>TRANSFER TO ADMINISTRATION BUDGET</b>	<b>1,094,625</b>	<b>1,106,566</b>
<b>EQUITY / RESERVES</b>		
Automobile	59,098	59,098
Building Debt Service	239,300	214,576
Building Repairs & Replacement	28,170	28,170
Capital (CRL)	317,712	396,907
<b>TOTAL DESIGNATED RESERVES</b>	<b>644,280</b>	<b>698,751</b>



**Workers' Compensation Budget****UTAH COUNTIES INSURANCE POOL**

	2007	TENTATIVE 2008
<b>REVENUE</b>		
Premiums Written	2,445,431	2,540,861
Loss Control Program Credit	-50,000	-51,000
Investment Income	55,000	55,000
<b>TOTAL REVENUE</b>	<b>2,450,431</b>	<b>2,544,861</b>
<b>LOSSES AND LOSS EXPENSES</b>		
Prior Year Losses	1,361,667	1,433,296
Current Year Losses	300,000	300,000
Reinsurance	395,000	445,000
Third Party Administrator	30,000	0
<b>TOTAL LOSS EXPENSES</b>	<b>2,086,667</b>	<b>2,178,296</b>
<b>ADMINISTRATION EXPENSES</b>		
Accounting	7,500	7,500
Actuarial Analysis	8,500	8,500
Capitalization Costs - CRL	0	0
Consultant	21,000	21,000
Self-Insurer's Bond	0	0
Self-Insurer's Tax	70,000	70,000
<b>TOTAL ADMINISTRATION</b>	<b>107,000</b>	<b>107,000</b>
<b>TOTAL LOSSES AND EXPENSES</b>	<b>2,193,667</b>	<b>2,285,296</b>
<b>TRANSFER TO ADMINISTRATION BUDGET</b>	<b>256,764</b>	<b>259,565</b>
<b>EQUITY / RESERVES</b>		
Capital (CRL)	123,407	158,274
<b>TOTAL EQUITY</b>	<b>123,407</b>	<b>158,274</b>





# Administration Budget

# UTAH COUNTIES INSURANCE POOL

	2007	TENTATIVE 2008
<b>TRANSFERS</b>		
Employee Benefits	81,000	90,000
Multiline	1,094,625	1,106,566
Workers' Compensation	256,764	259,565
<b>TOTAL TRANSFERS</b>	<b>1,432,389</b>	<b>1,456,131</b>
<b>ADMINISTRATION EXPENSES</b>		
Automobile Expense	9,500	40,000
Automobile Reserve	25,000	0
Bank Charges	300	300
Board Expense	45,000	50,000
Building Lease Purchase	70,000	70,000
Building Maintenance & Repairs	0	0
Copying Costs	6,000	6,500
Depreciation	75,000	75,000
Dues / Subscriptions	6,000	6,500
Exhibiting & Sponsorship	17,000	10,000
Fees & Licensing	1,000	1,000
Incentives	5,000	5,000
Information Technology	85,000	40,000
Land Use Hotline Program	15,000	10,000
Lobbying & Legislative Tracking	15,000	10,000
Loss Control / Training	55,000	70,000
Office Equipment	7,000	7,000
Office Insurance	5,600	8,000
Office Supplies	7,500	7,500
Postage	4,000	5,000
Printing	2,500	5,000
Professional Fees	35,000	65,000
Property Placement	60,000	0
Staff Expenses	40,000	45,000
Staff Salaries	549,043	576,495
Staff Retirement	134,131	141,184
Staff Payroll Expense	42,002	44,102
Staff Medical Insurance	109,814	150,051
Telephone	6,000	7,500
<b>TOTAL ADMINISTRATION</b>	<b>1,432,389</b>	<b>1,456,131</b>







**Employee Benefits Budget****UTAH COUNTIES INSURANCE POOL**

	2007	TENTATIVE 2008
<b>REVENUE</b>		
Premiums Written	7,200,000	6,811,500
Program Management Fees	50,000	50,000
Investment Income	35,000	35,000
<b>TOTAL REVENUE</b>	<b>7,285,000</b>	<b>6,896,500</b>
<b>EXPENSES</b>		
Accounting	2,000	2,000
Audit	2,000	2,000
Premiums Paid to OptiCare	40,000	50,500
Premiums Paid to PEHP	7,160,000	6,752,000
<b>TOTAL EXPENSES</b>	<b>7,204,000</b>	<b>6,806,500</b>
<b>TRANSFER TO ADMINISTRATION BUDGET</b>	<b>81,000</b>	<b>90,000</b>



2008  
MULTILINE PREMIUM CALCULATION SCENARIOS

COUNTY	INSURABLE VALUE	PURE LOSS RATE	REINSURANCE PREMIUM PROPERTY	REINSURANCE PREMIUM CRIME	CONTRIBUTION PROPERTY	NUMBER of VEHICLES	PURE LOSS RATE	EXPENDITURES	PURE LOSS RATE	CONTRIBUTION LIABILITY	2008 REINSURANCE	PRO-RATA	PER MEMBER	CONTRIBUTION EXPENSE	SCENARIO 1 2008 CONTRIBUTION	PERCENT premium change	SCENARIO 2 2008 CONTRIBUTION	PERCENT premium change	SCENARIO 3 2008 CONTRIBUTION	PERCENT premium change	2007 PREMIUM	2008 SOV
Beaver	23,728,070	16,372	10,046	354	26,772	56	10,080	8,420,515	22,735	32,815	59,587	14,121	17,464	31,585	91,172	29%	91,172	29%	77,815	10%	70,741	0
Box Elder	34,884,012	24,070	14,769	520	39,359	219	39,420	25,734,188	69,482	108,902	148,261	35,136	17,464	52,599	200,860	4%	200,860	4%	200,860	4%	192,697	0
Cache	38,333,232	26,450	16,229	571	43,250	269	48,420	20,070,931	54,192	102,612	145,862	34,567	17,464	52,031	197,893	-13%	226,288	0%	226,288	0%	226,288	375
Carbon	71,210,326	49,135	30,148	1,061	80,344	131	23,580	34,878,429	94,172	117,752	198,096	46,946	17,464	64,410	262,506	68%	262,506	68%	172,344	10%	156,676	225
Daggett	11,769,575	8,121	4,983	175	13,279	47	8,460	6,306,291	17,027	25,487	38,766	9,187	17,464	26,651	65,417	39%	65,417	39%	51,905	10%	47,186	0
Davis	154,241,765	106,427	65,301	2,298	174,026	208	37,440	74,651,155	201,558	238,998	413,024	97,881	17,464	115,345	528,369	23%	528,369	23%	470,717	10%	427,924	525
Duchesne	38,464,388	26,540	16,285	573	43,398	120	21,600	6,329,744	17,090	38,690	82,089	19,454	17,464	36,918	119,006	-6%	126,719	0%	126,719	0%	126,719	1,575
Emery	44,954,377	31,019	19,032	670	50,721	142	25,560	12,908,950	34,854	60,414	111,135	26,337	17,464	43,801	154,936	-8%	167,955	0%	167,955	0%	167,955	150
Garfield	17,158,169	11,839	7,264	256	19,359	93	16,740	9,517,447	25,697	42,437	61,796	14,645	17,464	32,109	93,905	35%	93,905	35%	76,710	10%	69,736	75
Grand	28,839,625	19,899	12,210	430	32,539	96	17,280	11,159,121	30,130	47,410	79,949	18,947	17,464	36,410	116,359	11%	116,359	11%	115,013	10%	104,557	75
Iron	43,461,573	29,988	18,400	648	49,036	187	33,660	33,842,725	91,375	125,035	174,072	41,252	17,464	58,716	232,788	30%	232,788	30%	196,329	10%	178,481	150
Juab	22,165,521	15,294	9,384	330	25,009	122	21,960	10,868,097	29,344	51,304	76,313	18,085	17,464	35,549	111,861	-2%	113,960	0%	113,960	0%	113,960	0
Kane	13,762,929	9,496	5,827	205	15,528	109	19,620	9,370,217	25,300	44,920	60,448	14,325	17,464	31,789	92,237	7%	92,237	7%	92,237	7%	86,204	75
Millard	44,956,023	31,020	19,033	670	50,723	142	25,560	19,134,355	51,663	77,223	127,945	30,321	17,464	47,785	175,730	9%	175,730	9%	175,730	9%	160,792	1,500
Morgan	10,554,044	7,282	4,468	157	11,908	49	8,820	5,016,578	13,545	22,365	34,273	8,122	17,464	25,586	59,858	16%	59,858	16%	56,527	10%	51,388	0
Piute	4,897,375	3,379	2,073	73	5,526	26	4,680	1,569,590	4,238	8,918	14,443	3,423	17,464	20,887	35,330	37%	35,330	37%	28,460	10%	25,873	0
Rich	4,277,039	2,951	1,811	64	4,826	40	7,200	3,436,970	9,280	16,480	21,305	5,049	17,464	22,513	43,818	-7%	46,994	0%	46,994	0%	46,994	0
San Juan	36,472,987	25,166	15,442	544	41,151	231	41,580	14,094,494	38,055	79,635	120,787	28,625	17,464	46,088	166,875	2%	166,875	2%	166,875	2%	163,870	75
Sanpete	14,803,349	10,214	6,267	221	16,702	77	13,860	7,862,709	21,229	35,089	51,791	12,274	17,464	29,738	81,529	24%	81,529	24%	72,441	10%	65,855	0
Sevier	30,996,043	21,387	13,123	462	34,972	120	21,600	12,558,596	33,908	55,508	90,480	21,442	17,464	38,906	129,386	32%	129,386	32%	107,440	10%	97,673	2,325
Tooele	83,860,885	57,864	35,504	1,250	94,618	247	44,460	31,131,070	84,054	128,514	223,132	52,879	17,464	70,343	293,474	26%	293,474	26%	256,898	10%	233,544	2,325
Uintah	76,978,224	53,115	32,590	1,147	86,852	151	27,180	30,372,750	82,006	109,186	196,039	46,458	17,464	63,922	259,961	16%	259,961	16%	259,961	16%	224,336	0
Utah	169,386,679	116,877	71,713	2,524	191,114	287	51,660	71,883,597	194,086	245,746	436,860	103,529	17,464	120,993	557,853	12%	557,853	12%	557,853	12%	497,106	0
Wasatch	71,321,021	49,212	30,195	1,063	80,469	160	28,800	23,298,180	62,905	91,705	172,174	40,803	17,464	58,267	230,441	10%	230,441	10%	230,441	10%	210,152	0
Washington	140,049,053	96,634	59,292	2,087	158,013	203	36,540	38,077,407	102,809	139,349	297,362	70,470	17,464	87,934	385,296	43%	385,296	43%	295,519	10%	268,654	3,000
Wayne	6,652,847	4,590	2,817	99	7,506	59	10,620	4,176,181	11,276	21,896	29,402	6,968	17,464	24,432	53,834	25%	53,834	25%	47,232	10%	42,938	375
Weber	223,842,469	154,451	94,768	11,000	260,219	326	58,680	68,010,377	183,628	242,308	502,527	119,092	17,464	136,555	639,083	30%	639,083	30%	539,678	10%	490,616	450
UCIP	238,000	164	101	4	269	2	360	1,432,389	3,867	4,227	4,496	1,065	1,000	2,065	6,561	21%	6,561	21%	5,980	10%	5,436	0
Bear River HD	9,110,254	6,286	3,857	136	10,279	28	5,040	7,600,621	20,522	25,562	35,841	8,494	1,000	9,494	45,334	111%	45,334	111%	23,620	10%	21,473	0
Central HD	4,235,679	2,923	1,793	63	4,779	8	1,440	3,125,568	8,439	9,879	14,658	3,474	1,000	4,474	19,132	52%	19,132	52%	13,806	10%	12,551	0
Southeastern HD	1,333,045	920	564	20	1,504	7	1,260	3,118,587	8,420	9,680	11,184	2,650	1,000	3,650	14,835	11%	14,835	11%	14,835	11%	13,418	0
Southwest HD	8,468,190	5,843	3,585	126	9,554	10	1,800	5,013,684	13,537	15,337	24,891	5,899	1,000	6,899	31,790	80%	31,790	80%	19,459	10%	17,690	0
Tooele HD	3,834,906	2,646	1,624	57	4,327	14	2,520	3,202,088	8,646	11,166	15,492	3,671	1,000	4,671	20,164	195%	20,164	195%	7,512	10%	6,829	0
TriCounty HD	543,700	375	230	8	613	7	1,260	2,005,045	5,414	6,674	7,287	1,727	1,000	2,727	10,014	11%	10,014	11%	9,935	10%	9,032	0
Wasatch HD	604,162	417	256	9	682	7	1,260	1,757,336	4,745	6,005	6,686	1,585	1,000	2,585	9,271	137%	9,271	137%	4,309	10%	3,917	0
Weber-Morgan H	8,414,811	5,806	3,563	125	9,494	21	3,780	5,562,005	15,017	18,797	28,292	6,705	1,000	7,705	35,996	109%	35,996	109%	18,960	10%	17,236	0
TOTALS	1,498,804,347	1,034,175	634,546	30,000	1,698,721	4,021	723,780	627,497,987	1,694,245	2,418,025	4,116,745	975,608	480,523	1,456,131	5,572,876	18%	5,627,278	20%	5,049,315	8%	4,656,498	13,275



2008 Workers Compensation Premium Contribution Scenarios

	Effective Date	WCF	UCIP					2006	2007	2008	EM .00-.70	EM .71-.80	EM .81-1.00	EM 1.01-1.10	EM 1.11>	Difference	Estimated Standard
		2003 Premium	2004 Premium	2005 Premium	2006 Premium	2007 Premium	2008 Premium	Exp Mod	Exp Mod	Exp Mod	Increase 5%	Increase 7%	Increase 8%	Increase 9%	Increase 10%		
Beaver							45,728			0.74						0	
Box Elder							120,065			1.04						0	
Cache	7/1/2004	95,698	69,119	96,747	115,129	139,306	150,450	1.00	1.13	1.00			150,450			11,144	
Carbon	1/1/2004	127,032	90,781	90,781	118,015	141,618	154,364	1.81	1.01	1.04				154,364		12,746	
Daggett	1/1/2004	22,071	13,232	23,010	26,922	31,768	33,991	0.85	0.78	0.80		33,991				2,224	
Davis							374,945			1.10						0	
Duchesne	1/1/2004	61,982	35,820	49,837	62,296	74,133	80,063	1.06	0.88	0.84			80,063			5,931	
Garfield	1/1/2004	35,206	22,047	27,654	32,355	38,503	41,583	0.85	0.95	0.94			41,583			3,080	
Grand	1/1/2004	41,847	25,504	34,619	40,504	47,795	51,619	0.80	0.94	0.92			51,619			3,824	
Iron	1/1/2004	101,960	62,704	74,232	88,336	106,003	114,484	1.01	1.03	0.94			114,484			8,480	
Juab	1/1/2004	33,078	22,338	22,338	26,135	31,624	34,786	0.87	1.45	1.28					34,786	3,162	
Kane	7/1/2004	26,021	21,094	26,694	31,232	37,166	40,139	0.83	0.96	0.85			40,139			2,973	
Millard	1/1/2004	89,892	54,271	79,191	92,653	110,258	119,078	0.85	0.83	0.93			119,078			8,821	
Morgan	1/1/2004	29,618	14,966	19,479	23,180	28,048	30,292	0.90	1.33	0.92			30,292			2,244	
Piute	2/1/2004		4,145	5,678	6,757	8,041	8,684	0.91	0.87	0.84			8,684			643	
Rich	2/1/2004	7,700	4,457	9,129	11,411	13,808	15,188	1.12	1.41	1.48					15,188	1,381	
San Juan	1/1/2004	59,028	26,820	49,540	61,925	74,929	80,924	1.21	1.42	0.89			80,924			5,994	
Sanpete	1/1/2004	34,987	21,096	21,183	27,538	33,321	36,320	1.35	1.24	1.09				36,320		2,999	
Sevier	1/1/2004	25,537	21,791	24,491	31,838	38,206	41,644	1.34	1.10	1.04				41,644		3,439	
Summit	1/1/2005	128,816		83,243	97,394	114,925	122,970	0.71	0.70	0.77		122,970				8,045	
Tooele	1/1/2005	131,353		97,983	114,640	136,422	145,971	0.69	0.90	0.77		145,971				9,550	
Uintah	1/1/2004	92,993	80,020	93,978	117,473	139,792	153,772	1.04	0.91	1.30					153,772	13,979	
Utah	4/1/2004	176,365	169,133	187,031	218,826	258,215	276,290	0.87	0.79	0.75		276,290				18,075	
Wasatch	1/1/2005	64,742		83,715	97,947	115,577	123,667	0.72	0.70	0.87		123,667				8,090	
Washington	6/1/2006	134,143			69,632	119,368	125,336	0.97	0.69	0.61	125,336					5,968	
Wayne	1/1/2004	8,239	5,719	5,719	6,691	8,096	8,906	0.89	1.32	1.17					8,906	810	
Weber	6/1/2004	389,520	305,651	370,776	433,808	433,808	455,498	0.61	0.69	0.69	455,498					21,690	
UCIP	1/1/2004	1,278	376	376	447	532	575	0.99	0.99	0.98			575			43	
Wasatch Mental He	7/1/2005			24,078	48,156	56,824	62,506	0.76	0.72	1.35					62,506	5,682	
Bear River Health	7/1/2006				14,840	29,681	31,759	0.70	0.70	0.80		31,759				2,078	
Total			1,071,084	1,601,502	2,016,082	2,367,766	3,081,599						2,540,861			173,094	

# Utah Counties Insurance Pool Payments

August 14, 2007 - October 18, 2007

Type	Date	Num	Name	Memo	Split	Amount
WF-Expense						
Paycheck	8/14/2007		Anne M. Ayrton	Direct Deposit	-SPLIT-	0.00
Paycheck	8/14/2007		Brody S. Parker	Direct Deposit	-SPLIT-	0.00
Paycheck	8/14/2007		Charmaine G. Green	Direct Deposit	-SPLIT-	0.00
Paycheck	8/14/2007		Kathy H. Stone	Direct Deposit	-SPLIT-	0.00
Paycheck	8/14/2007		Korby M. Siggard	Direct Deposit	-SPLIT-	0.00
Paycheck	8/14/2007		Lester J. Nixon	Direct Deposit	-SPLIT-	0.00
Paycheck	8/14/2007		Mark W. Brady	Direct Deposit	-SPLIT-	0.00
Paycheck	8/14/2007		Shaney M. Kelleher	Direct Deposit	-SPLIT-	0.00
Paycheck	8/14/2007		Sonya J. White	Direct Deposit	-SPLIT-	0.00
Paycheck	8/15/2007		Susan E. Gonce	Direct Deposit	-SPLIT-	0.00
Liability Check	8/15/2007	ONLINE	United States Treasury	EFT ACKNOWLEDGEMENT NUMBER: 270762700965...	-SPLIT-	-5,705.92
Paycheck	8/20/2007	4119	Charmaine G. Green	Payroll August 16-17, 2007	-SPLIT-	-157.64
Paycheck	8/20/2007	4120	Charmaine G. Green	Accrued/Earned Sick Leave Minus Advanced Vacation	-SPLIT-	-2,501.43
Check	8/20/2007	4121	Charmaine G. Green	Expenses Reimbursement	-SPLIT-	-165.00
Check	8/20/2007	4122	Charmaine G. Green	Expenses Reimbursement	-SPLIT-	-30.26
Check	8/23/2007	VISA	Wells Fargo	Account Number: 4856 2002 0789 0792	-SPLIT-	-1,477.10
Check	8/23/2007	VISA	Wells Fargo	Account Number: 4856 2002 0633 9635	-SPLIT-	-483.67
Check	8/23/2007	VISA	Wells Fargo	Account Number: 4856 2002 0646 9796	-SPLIT-	-165.79
Check	8/23/2007	VISA	Wells Fargo	Account Number: 4856 2002 0646 9788	-SPLIT-	-2,077.50
Check	8/23/2007	VISA	Wells Fargo	Created by Payroll Service on 08/27/2007	-SPLIT-	-15,839.61
Liability Check	8/29/2007		QuickBooks Payroll Service	Invoice Number: 0874081-IN	-SPLIT-	-478.82
Check	8/29/2007	4123	Les Olson Company	Invoice Number: 504	-SPLIT-	-5,919.30
Check	8/29/2007	4124	Southern Utah University	Statement Number: 1060969	-SPLIT-	-21.45
Check	8/29/2007	4125	ilinc Communications	Coverage Period: August 2007	-SPLIT-	-295.13
Check	8/29/2007	4126	PEHP-LTD	Invoice Number: 158174	-SPLIT-	-270.00
Check	8/29/2007	4127	Revco Leasing Company, LLC	Invoice Number: 0579572987	-SPLIT-	-66.63
Check	8/29/2007	4128	Verizon Wireless	Invoice Number: 0579572987	-SPLIT-	-242.38
Check	8/29/2007	4129	Utah State Board of CLE	Expense Reimbursement	-SPLIT-	-156.44
Check	8/29/2007	4130	Shaney M. Kelleher	Expense Reimbursement	-SPLIT-	-304.44
Check	8/29/2007	4131	Kathy H. Stone	Invoice Number: 97158	-SPLIT-	-1,875.67
Check	8/29/2007	4132	Henriksen/Butler	Account Number: 8000-9090-0189-5759	-SPLIT-	-230.00
Check	8/29/2007	4133	Pinney Bowes Postage by Phone	Mileage Reimbursement	-SPLIT-	-273.03
Check	8/29/2007	4134	Gerald Hess	Mileage Reimbursement	-SPLIT-	-349.20
Check	8/29/2007	4135	Bruce Adams	Mileage Reimbursement	-SPLIT-	-268.70
Check	8/29/2007	4136	Steve White	Expense Reimbursement	-SPLIT-	-209.51
Check	8/29/2007	4137	Kay Blackwell	Mileage Reimbursement	-SPLIT-	-43.65
Check	8/29/2007	4138	James Eardley	Expense Reimbursement	-SPLIT-	-114.46
Check	8/29/2007	4139	Steven Wall	Expense Reimbursement	-SPLIT-	-1,101.40
Check	8/29/2007	4140	Wayne Smith	Mileage Reimbursement	-SPLIT-	-273.54
Check	8/29/2007	4141	James Nyland	Expense Reimbursement	-SPLIT-	-180.37
Check	8/29/2007	4142	Kent Sundberg	Expense Reimbursement	-SPLIT-	-245.92
Check	8/29/2007	4143	Brad Dee	Expense Reimbursement	-SPLIT-	-408.68
Check	8/29/2007	4144	Lynn Lemon	Expense Reimbursement	-SPLIT-	-510.00
Check	8/29/2007	4145	Mark W. Brady	Expense Reimbursement	-SPLIT-	-71.00
Check	8/29/2007	4146	Mark W. Brady	Expense Reimbursement	-SPLIT-	-210.00
Check	8/29/2007	4147	Mark W. Brady	Expense Reimbursement	-SPLIT-	-160.56
Check	8/29/2007	4148	Office Depot	Account Number: 35538769	-SPLIT-	-180.00
Check	8/29/2007	4149	Utah PRIMA Chapter	September 27 Registration	-SPLIT-	0.00
Paycheck	8/30/2007	4093	Anne M. Ayrton	Direct Deposit	-SPLIT-	0.00
Paycheck	8/30/2007	4094	Brody S. Parker	Direct Deposit	-SPLIT-	0.00
Paycheck	8/30/2007	4095	Kathy H. Stone	Direct Deposit	-SPLIT-	0.00
Paycheck	8/30/2007	4096	Korby M. Siggard	Direct Deposit	-SPLIT-	0.00
Paycheck	8/30/2007	4097	Lester J. Nixon	Direct Deposit	-SPLIT-	0.00



# Utah Counties Insurance Pool Payments

August 14, 2007 - October 18, 2007

Type	Date	Num	Name	Memo	Split	Amount
Paycheck	8/30/2007	4098	Mark W. Brady	Direct Deposit	-SPLIT-	0.00
Paycheck	8/30/2007	4099	Shaney M. Kelleher	Direct Deposit	-SPLIT-	0.00
Paycheck	8/30/2007	4100	Sonya J. White	Direct Deposit	-SPLIT-	0.00
Paycheck	8/30/2007	4101	Susan E. Gonce	Direct Deposit	-SPLIT-	0.00
Check	8/30/2007	4151	Positive Incentives	Invoice Number: 85922	Incentives	-434.83
Check	8/30/2007	4152	CPCU Society	Life/Health Seminar	-SPLIT-	-120.00
Check	8/30/2007	4153	Arthur J. Gallagher & Co.	Invoice Number: 76760	Bonds	-938.00
Check	8/30/2007	4154	Arthur J. Gallagher & Co.	Invoice Number: 76678	Bonds	-198.00
Liability Check	8/31/2007	ONLINE	Utah State Tax Commission	Transaction Number: 6025914	-SPLIT-	-2,315.27
Liability Check	8/31/2007	ONLINE	United States Treasury	EFT ACKNOWLEDGEMENT NUMBER: 270764300478...	-SPLIT-	-6,342.06
Liability Check	8/31/2007	ONLINE	Utah Retirement Systems	Unit No: 864 (August 2007)	-SPLIT-	-11,791.42
Liability Check	9/3/2007	4150	Utah Counties Insurance Pool	Employee Benefits - September	-SPLIT-	-10,648.22
Check	9/7/2007	4155	URMMA	Invoice Number: 2008-000044	Lobbying & Legislative Tr...	-427.50
Check	9/7/2007	4156	CALEA	Invoice Number: 30689	Loss Control / Training	-5,425.00
Check	9/7/2007	4157	CALEA	Invoice Number: 30978	Loss Control / Training	-5,425.00
Check	9/7/2007	4158	By The Numbers Actuarial Consulting, Inc.	Invoice Number: 2007-133	Actuarial Analysis	-2,125.00
Check	9/7/2007	4159	Personnel Systems & Services	Invoice Number: 746	Professional Fees	-4,455.00
Check	9/7/2007	4160	Alternative Service Concepts, LLC	Invoice Number: 0011402-IN	Accounting	-5,000.00
Check	9/7/2007	4161	Lester J. Nixon	Reimbursable Expenses	-SPLIT-	-2,036.82
Check	9/7/2007	4162	Brad Dee	Expense Reimbursement	Board Expense	-71.73
Check	9/7/2007	4163	Print2day	Invoice No. 733424	Printing	-159.90
Check	9/7/2007	4164	Office Depot	Account Number: 35538769	-SPLIT-	-293.42
Liability Check	9/13/2007		QuickBooks Payroll Service	Created by Payroll Service on 09/10/2007	-SPLIT-	-13,955.75
Paycheck	9/14/2007		Anne M. Ayrton	Direct Deposit	-SPLIT-	0.00
Paycheck	9/14/2007		Brody S. Parker	Direct Deposit	-SPLIT-	0.00
Paycheck	9/14/2007		Kathy H. Stone	Direct Deposit	-SPLIT-	0.00
Paycheck	9/14/2007		Korby M. Siggard	Direct Deposit	-SPLIT-	0.00
Paycheck	9/14/2007		Lester J. Nixon	Direct Deposit	-SPLIT-	0.00
Paycheck	9/14/2007		Mark W. Brady	Direct Deposit	-SPLIT-	0.00
Paycheck	9/14/2007		Shaney M. Kelleher	Direct Deposit	-SPLIT-	0.00
Paycheck	9/14/2007		Sonya J. White	Direct Deposit	-SPLIT-	0.00
Paycheck	9/14/2007	4169	Susan E. Gonce	Membership Number: 10001553	-SPLIT-	-1,604.88
Check	9/14/2007	4165	Public Risk Management Association	Invoice Number: 0583854716	Dues / Subscriptions	-175.00
Check	9/14/2007	4166	Verizon Wireless	Invoice Number: 76943	-SPLIT-	-140.21
Check	9/14/2007	4167	Arthur J. Gallagher & Co.	Account Number: 35538769	-SPLIT-	-259.00
Check	9/14/2007	4168	Office Depot	Invoice Number: 77019	Office Supplies	-65.88
Check	9/14/2007	4170	Arthur J. Gallagher & Co.	Account Number: 801-565-8500 170B	-SPLIT-	-1,569.00
Check	9/14/2007	4171	Qwest	Invoice Number: N1688	Telephone	-486.19
Check	9/14/2007	4172	CodeCo Law Publishers	Membership Number: 10008103	Dues / Subscriptions	-235.00
Check	9/14/2007	4173	Public Risk Management Association	EFT ACKNOWLEDGEMENT NUMBER: 270766300468...	Dues / Subscriptions	-310.00
Liability Check	9/20/2007	ONLINE	United States Treasury	Account Number: 4856 2002 0646 9788	-SPLIT-	-5,289.54
Check	9/25/2007	VISA	Wells Fargo	Account Number: 4856 2002 0633 9635	-SPLIT-	-1,795.55
Check	9/25/2007	VISA	Wells Fargo	Account Number: 4856 2002 0789 0792	-SPLIT-	-394.99
Check	9/25/2007	VISA	Wells Fargo	Account Number: 4856 2002 0646 9796	-SPLIT-	-540.71
Check	9/25/2007	VISA	Wells Fargo	Created by Payroll Service on 09/24/2007	-SPLIT-	-2,787.46
Liability Check	9/27/2007		QuickBooks Payroll Service	Direct Deposit	-SPLIT-	-16,171.23
Paycheck	9/28/2007		Anne M. Ayrton	Direct Deposit	-SPLIT-	0.00
Paycheck	9/28/2007		Brody S. Parker	Direct Deposit	-SPLIT-	0.00
Paycheck	9/28/2007		Kathy H. Stone	Direct Deposit	-SPLIT-	0.00
Paycheck	9/28/2007		Korby M. Siggard	Direct Deposit	-SPLIT-	0.00
Paycheck	9/28/2007		Lester J. Nixon	Direct Deposit	-SPLIT-	0.00
Paycheck	9/28/2007		Lisa O. Brown	Direct Deposit	-SPLIT-	0.00
Paycheck	9/28/2007		Mark W. Brady	Direct Deposit	-SPLIT-	0.00

# Utah Counties Insurance Pool Payments

August 14, 2007 - October 18, 2007

Type	Date	Nun	Name	Memo	Split	Amount
Paycheck	9/28/2007		Shaney M. Kelleher	Direct Deposit	-SPLIT-	0.00
Paycheck	9/28/2007		Sonya J. White	Direct Deposit	-SPLIT-	0.00
Paycheck	9/28/2007		Susan E. Gonce	Direct Deposit	-SPLIT-	0.00
Liability Check	9/28/2007	ONLINE	Nationwide Retirement Solutions	EFT ACKNOWLEDGEMENT NUMBER: 270767500159...	-SPLIT-	-3,417.72
Liability Check	9/28/2007	ONLINE	United States Treasury	Transaction Number: 6953234	-SPLIT-	-5,432.76
Liability Check	9/28/2007	ONLINE	Utah State Tax Commission	Transaction Number: 6953476	-SPLIT-	-1,033.56
Liability Check	9/28/2007	ONLINE	Utah Retirement Systems	Unit No: 864 (September 2007)	-SPLIT-	-1,010.29
Liability Check	9/30/2007	ONLINE	FCP Holdings, LLC	Commercial Lease: 6900 South 900 East, Suite 230	-SPLIT-	-10,583.32
Check	10/1/2007	4174	Verizon Wireless	Invoice Number: 0588059601	Building Lease	-5,653.38
Check	10/1/2007	4175	TCNS, Inc.	Invoice Number: 2790	Telephone	-65.63
Check	10/1/2007	4176	TCNS, Inc.	Invoice Number: 2834	Information Technology	-206.50
Check	10/1/2007	4177	TCNS, Inc.	Invoice Number: 2913	-SPLIT-	-155.00
Check	10/1/2007	4178	Christensen & Jensen	Invoice Number: 52296	Information Technology	-717.50
Check	10/1/2007	4179	Revo Leasing Company, LLC	Invoice Number: 160395	Professional Fees	-5,076.11
Check	10/1/2007	4180	Utah Association of Counties	Sponsorship/Exhibiting	Copying Costs	-270.00
Check	10/1/2007	4181	Pinney Bowes Postage by Phone	Account Number: 8000-9090-0189-5759	-SPLIT-	-2,047.50
Check	10/1/2007	4182	James Nyland	Expense Reimbursement	-SPLIT-	-506.29
Check	10/1/2007	4183	Print2day	Invoice No: 733681	Board Expense	-71.73
Check	10/1/2007	4184	Tri-Tel Communications, Inc.	Invoice Number: 139518	Printing	-369.23
Check	10/1/2007	4185	Positive Incentives	Invoice Number: 85912-B	Debt Service	-89.00
Check	10/1/2007	4186	URMMA	Invoice Number: 2008-000046	Incentives	-1,927.00
Check	10/1/2007	4187	Professional Binding Products, Inc.	Invoice Number: PS10089792	Lobbying & Legislative Tr...	-665.00
Check	10/1/2007	4188	PEHP-LTD	Coverage Period: September 2007	Office Supplies	-38.10
Check	10/1/2007	4189	Media One of Utah	Invoice Number: 100121680-08302007	Staff Medical Insurance	-259.91
Check	10/1/2007	4190	Positive Incentives	Invoice Number: 85953	Professional Fees	-389.12
Check	10/1/2007	4191	Specific Software Solutions, LLC	Invoice Number: 13977	Exhibiting & Sponsorship	-971.04
Check	10/1/2007	4192	McNeil Engineering-Surveying, L.C.	Employee Number: 31984	Information Technology	-799.00
Check	10/1/2007	4193	Utah Counties Insurance Pool	Expense Reimbursement	Debt Service	-3,000.00
Check	10/1/2007	4194	Shaney M. Kelleher	Invoice Number: 107107500001	-SPLIT-	-11,925.22
Check	10/1/2007	4195	Christensen & Jensen	Invoice Number: 07080235	-SPLIT-	-84.17
Check	10/1/2007	4196	Free and Associates, Inc.	Invoice Number: 1500023592	1099-Nonemployee Com...	-450.50
Check	10/1/2007	4197	ISO Services, Inc.	Account Number: 35538769	Debt Service	-1,700.00
Check	10/1/2007	4198	Office Depot	Invoice No: 733998	Information Technology	-58.00
Check	10/1/2007	4199	Print2day	Invoice No: 733952	Office Supplies	-64.73
Check	10/1/2007	4200	Print2day	Invoice Number: 0883727-1N	Printing	-182.29
Check	10/1/2007	4201	Les Olson Company	Account Number: R 2-423713-0	Printing	-174.39
Check	10/1/2007	4202	State of UT Dept of Workforce Services	Reimbursable Expenses	Copying Costs	-135.55
Check	10/1/2007	4203	Lester J. Nixon	Account Number: 801-565-8500 170B	Office Insurance	-1,970.00
Check	10/1/2007	4204	Verizon Wireless	Invoice Number: 0592384379	-SPLIT-	-1,529.59
Check	10/1/2007	4205	Mountain View Software	Invoice Number: 13428	Telephone	-491.42
Check	10/1/2007	4206	United States Treasury	EFT ACKNOWLEDGEMENT NUMBER: 270768400481...	-SPLIT-	-127.20
Check	10/1/2007	4207	QuickBooks Payroll Service	Created by Payroll Service on 10/10/2007	Information Technology	-252.00
Liability Check	10/1/2007	ONLINE	Anne M. Ayton	Direct Deposit	-SPLIT-	-5,787.32
Paycheck	10/15/2007		Brody S. Parker	Direct Deposit	-SPLIT-	-17,014.78
Paycheck	10/15/2007		Kathy H. Stone	Direct Deposit	-SPLIT-	0.00
Paycheck	10/15/2007		Korby M. Siggard	Direct Deposit	-SPLIT-	0.00
Paycheck	10/15/2007		Lester J. Nixon	Direct Deposit	-SPLIT-	0.00
Paycheck	10/15/2007		Lisa O. Brown	Direct Deposit	-SPLIT-	0.00
Paycheck	10/15/2007		Mark W. Brady	Direct Deposit	-SPLIT-	0.00
Paycheck	10/15/2007		Shaney M. Kelleher	Direct Deposit	-SPLIT-	0.00
Paycheck	10/15/2007		Sonya J. White	Direct Deposit	-SPLIT-	0.00

# Utah Counties Insurance Pool

## Payments

August 14, 2007 - October 18, 2007

Type	Date	Num	Name	Memo	Split	Amount
Paycheck	10/15/2007		Susan E. Goncse	Direct Deposit	-SPLIT-	0.00
Check	10/18/2007	4208	Christensen & Jensen	Invoice Number: 52541	1099-Nonemployee Com...	-2,058.18
Check	10/18/2007	4209	Tri-Tel Communications, Inc.	Invoice Number: 139771	Debt Service	-521.87
Check	10/18/2007	4210	Jelly Belly Candy Company	Invoice Number: 3664	Exhibiting & Sponsorship	-136.54
Check	10/18/2007	4211	Pitney Bowes, Inc.	Invoice Number: 961692	Postage	-116.82
Check	10/18/2007	4212	Pitney Bowes Postage by Phone	Account Number: 8000-9090-0189-5759	-SPLIT-	-220.00
Check	10/18/2007	4213	Arthur J. Gallagher & Co.	Invoice Number: 77559	-SPLIT-	-3,659.25
Check	10/18/2007	4214	Arthur J. Gallagher & Co.	Invoice Number: 77556	-SPLIT-	-1,274.00
Check	10/18/2007	4215	Arthur J. Gallagher & Co.	Invoice Number: 77630	-SPLIT-	-3,100.00
Check	10/18/2007	4216	J. Craig Bott, Esq.	Invoice: UCIP-001	1099-Nonemployee Com...	-405.11
Check	10/18/2007	4217	Office Depot	Account Number: 35538769	-SPLIT-	-112.29
Check	10/18/2007	4218	Days Inn Richfield	Hotel Accommodations 10/17/07	-SPLIT-	-480.00
Check	10/18/2007	4219	AGRIIP	Invoice Number: 07G-01093	-SPLIT-	-7,665.00
Check	10/18/2007	4220	Hyatt Regency Savannah	AGRIIP Conference Hotel Accommodations	-SPLIT-	-15,993.00
Check	10/18/2007	4221	FCP Holdings, LLC	Commercial Lease: 6900 South 900 East, Suite 230	Building Lease	-5,653.38
Check	10/18/2007	4222	Sonya J. White	Expense Reimbursement	-SPLIT-	-635.29
Check	10/18/2007	4223	Lester J. Nixon	Reimburseable Expenses	Staff Expenses	-375.00
Check	10/18/2007	4224	Mark W. Brady	Expense Reimbursement	Staff Expenses	-375.00
Total WF-Expense						-276,533.34
WF-Work Comp Expense						
Check	8/29/2007	171	Pfeiffer Consulting Group, LLP	Invoice Number: 2007-9	-SPLIT-	-1,800.00
Check	9/7/2007	172	By The Numbers Actuarial Consulting, Inc.	Invoice Number: 2007-132	Actuarial Analysis WC	-2,125.00
Check	9/7/2007	173	Alternative Service Concepts, LLC	Invoice Number: 0011402-IN	Accounting	-5,000.00
Check	9/14/2007	174	Mountain View Software	Invoice Number: 13411	Information Technology	-282.00
Check	9/14/2007	175	ISO Services, Inc.	Invoice Number: ISO0022806	Information Technology	-14.50
Check	10/1/2007	176	Pfeiffer Consulting Group, LLP	Invoice Number: 2007-10	Consultant WC	-1,725.00
Total WF-Work Comp Expense						-10,946.50
TOTAL						-287,479.84